

(Translation)

## Corporate Governance Report

Last Update: June 23, 2023

Osaka Gas Co., Ltd.

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Securities code: 9532

<https://www.osakagas.co.jp/en/index.html>

The status of corporate governance of Osaka Gas Co., Ltd. (the “Company”) is described as follows.

### I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

#### 1. Basic Views

As a corporate group that powers “continuous advancement” in customers’ lives and businesses, we set our Corporate Principles to create four types of value: “Value for Customers,” “Value for Society,” “Value for Shareholders” and “Value for Employees” by providing various products and services relating to not only the energy business, including natural gas, electricity and LPG, but also its peripheral services and non-energy businesses, such as urban development, materials and information businesses.

Under this Corporate Principles, the Company and its affiliates (the “Group”) will respond appropriately to the exercising of shareholder rights, and work toward maintaining and increasing a sense of trust through dialogue and cooperation with its stakeholders. In addition, the Group will continue to enhance and strengthen corporate governance in order to respond quickly and appropriately to changes in the business environment surrounding the Group, make transparent, fair and decisive decisions, and execute business efficiently and appropriately.

#### [Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company has implemented all principles of the Corporate Governance Code.

#### [Disclosure Based on the Principles of the Corporate Governance Code] (Updated)

##### [Principle 1.4] (Cross-shareholdings)

The Group has stipulated the following in its rules on the purchase and management of third-party stocks:

- That stocks may be held and only if sales/procurement transactions and cooperation with other companies through business alliances are necessary for promoting the Group’s business and the purchase can be expected to contribute to the Group’s business;
- That after the stock purchase, it will be regularly confirmed whether continued ownership makes sense, and reports will be made to the Board of Directors;
- That impact on the market is to be taken into account before any sale of stocks that no longer make much sense to own.

Pursuant to these rules, the Company’s Board of Directors examines and verifies each individual stock to determine whether it is contributing to the Group’s business through transactions, business alliances, or other means and whether the related earnings of our investees, such as dividends and related transaction profits, exceed the target cost of capital. If the significance of holding an issue has waned, we sell it sequentially, taking into account the impact on the market, profit or loss on sale, funding needs, and other factors. In FY2023.3, the Company sold 13 stocks( 9 of which all holding stocks were sold)With respect to the exercise

of voting rights, the Company examines the content of proposals through various methods, including dialogue with the investee, and decides whether to approve or disapprove, taking into consideration whether the proposal will contribute to the sustainable growth and improvement of the medium- and long-term corporate value of the company concerned and whether there is any risk of damaging the corporate value of the Group.

**[Principle 1.7] (Related Party Transactions)**

The Group complies with the stipulations of the Companies Act, and if Directors engage in competitive transactions or conflict-of-interest transactions, the Regulations of the Board of Directors stipulates that such transactions require the approval of and report to the Board of Directors.

A briefing is given when Directors are appointed concerning competitive transactions or conflict-of-interest transactions. Subsequently, an opportunity is provided to the Directors every year to confirm that the individual and other directors have not conducted such transactions.

**[Supplementary Principle 2.4.1] (Ensuring Diversity)**

Explanations regarding the Ensuring Diversity are as provided in “III.3. Status of Measures to Ensure Due Respect for Stakeholders [Other]” of this report.

**[Principle 2.6] (Performance of Functions as Corporate Pension Asset Owner)**

The Company has assigned the Finance Department as the department in charge of asset management for corporate pension plans, which has staff with the necessary experience and knowledge for the job. In addition, we are striving to improve our expertise by acquiring knowledge of asset management through participation in training programs and seminars.

Investment of reserve funds is entrusted to multiple investment management institutions after a comprehensive evaluation of their investment policies, experience and track record in pension investment, systems for compliance with laws and regulations, and other factors. The Company fully delegates selection of individual investment targets and voting to the investment management institutions to avoid any conflicts of interest between pension beneficiaries and the Company. In addition, we obtain support from pension management consultants to enhance the expertise of our investment management. And In monitoring, we confirm the status of compliance with the Stewardship Code of the institutions that manage domestic stocks.

**[Principle 3-1] (Full Disclosure)**

**(1) Corporate Principles, Business Strategies and Business Plans**

The Group has formulated and announced its Daigas Group Corporate Principles and is striving to enhance its medium- and long-term corporate value through fair and transparent business practices.

In formulating and announcing its business strategies and business plans, the Company discloses its earnings plans, capital policy, and basic policy as well as its goals on ROIC (Return on Invested Capital) (\*1), ROE (Return on Equity), Shareholders' equity ratio, D (Debt) / E (Equity) ratio, and its target dividend payout ratio, etc. to explain its efforts to continuously improve corporate value to its shareholders and investors.

(\*1) ROIC = (Ordinary profit + Interest expenses - Interest income - Income taxes) / (Interest-bearing debts + Shareholders' equity)

Interest-bearing debts exclude risk-free leased liabilities to us.

The Daigas Group Corporate Principles and business plans are provided at the following website:

<https://www.osakagas.co.jp/en/aboutus/index.html>

**(2) Basic Principles on Corporate Governance**

The basic principles of corporate governance are as provided in “I. 1. Basic Views” of this report.

**(3) Policy and Procedures for Deciding Officer Remuneration**

The policy and procedures for deciding officer remuneration are as provided in “II. 2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System), (4) Policies on Deciding Remuneration for Officers.”

**(4) Policy and Procedures concerning Selection etc. of Officer Candidates**

The policy and procedures concerning selection of officer candidates are as provided in “II. 2. Matters Concerning Functions of Business Execution and Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System), (5) Policies on Selecting Candidates for Directors and

on Selecting and Dismissing Representative Directors and Other Executive Directors.”

#### (5) Reasons for Selecting Officer Candidates

Explanations regarding the selection of Director and Audit & Supervisory Board Member candidates are provided in the reference documents of the shareholders meeting convocation notice.

(Notice of Annual Meeting of Shareholders <https://www.osakagas.co.jp/en/ir/stock/inform/index.html>)

#### **[Supplementary Principle 3.1.3]** (Sustainability Initiatives)

We have positioned Medium-Term Management Plan 2023 “Creating Value for a Sustainable Future” as “a period to create value for a sustainable future with our stakeholders and continue to achieve further growth” as a corporate group that provides solutions to social issues for realizing a sustainable society. We determined “achieving a low-carbon / carbon neutral society,” “establishing lifestyles and businesses adjusted to the new normal,” “enhancing the resilience of customers and society,” and other sustainability-related issues as key initiatives that will contribute to medium- to long-term corporate value enhancement.

We also determined human resources and non-financial investments, such as “enhancing business portfolio management,” “business transformation through digital transformation (DX),” and “maximizing value for each employee,” as key initiatives that will contribute to the evolution of the stage of the Group.

In addition, forward-looking statements in the text are based on the judgment of the Group as of the end of the current consolidated fiscal year.

Medium-Term Management Plan 2023 is disclosed on the Group’s website.

([https://www.daigasgroup.com/en/ir/library/business-plans/#long\\_term](https://www.daigasgroup.com/en/ir/library/business-plans/#long_term))

Our sustainability initiatives are summarized and disclosed on the Group’s website.

(<https://www.daigasgroup.com/en/sustainability/>)

#### (1) Governance and Risk Management

##### 1) Governance

In order to put the Daigas Group Corporate Principles into practice and achieve sustainable growth, we are working to promote the Group's overall sustainability activities and to enhance and strengthen governance, including the environment, compliance, social contribution, respect for human rights, and risk management, etc.

As part of our governance structure, we have established the ESG Committee, which is chaired by the Executive Officer in Charge of ESG Promotion (Executive Vice President and Representative Director), who oversees the Group's sustainability activities, and includes the heads of related organizations and other members.

The ESG Committee meets four times a year in principle to discuss and promote sustainability activities across the organization.

Material issues (materiality) for ESG management and its indicators and targets, the status of those performances and other matters are submitted to and deliberated at the ESG Council, which is held three times a year in principle by the Management Meeting chaired by the President and Representative Director. The Board of Directors is then consulted on important matters related to sustainability activities, and is responsible for decision-making and supervision.

In addition, in order to enhance governance over our overall sustainability activities, we appoint outside directors and outside corporate auditors with expertise in the fields of environmental accounting and sociology, as well as a wealth of experience and broad insight in corporate and organizational management. With regard to climate change, the most important materiality, we are also promoting activities to realize a decarbonized society under the governance structure of the Board of Directors, ESG Council, and ESG Committee, as mentioned above.

##### 2) Risk Management

When making decisions on the Group's business and investment plans, the organization in charge of each business, including the gas and electric power businesses, analyzes the risk factors and their impact on each business and extracts and identifies risks, and then these risks, along with other business risks, are discussed by the Management Meeting.

Risks and countermeasures related to climate change are reported and discussed at the Environmental Subcommittee, ESG Committee, and ESG Council, and are managed through the PDCA cycle.

The Board of Directors also makes decisions and provides oversight, including investment decisions, based on climate change risks and sustainability.

## (2) Impact of climate change

### 1) Strategy

Based on the framework of the Task Force on Climate-related Financial Disclosures (TCFD), the Group is conducting a multi-linear scenario analysis to identify the “risks” and “opportunities” posed by climate change and to consider measures to reduce the “risks” and expand the “opportunities”.

Specifically, we identified risks and opportunities using the 1.5 degrees Celsius (°C) and 2.6°C scenarios published by the International Energy Agency (IEA) in its “World Energy Outlook” and other sources, and evaluated them in the short- to medium-term toward 2030 and the long-term toward 2050, and examined measures to address them.

The Group operates gas and electric power businesses, mainly in the Kansai area of Japan, using natural gas as its main raw fuel. If the tax burden increases significantly due to the introduction of a carbon tax in Japan or a significant increase in the tax rate, or if gas and electric power sales decrease significantly due to the causes, including customers switching to non-fossil fuels, the risk of financial impact of each case would be significant.

On the other hand, we believe that if we promote the development and diffusion of renewable energy and decarbonization technologies, the financial impact opportunities of each case for our group will be significant. In our medium-term management plan, we have set the “realization of a low-carbon, decarbonized society” as a priority initiative and are actively working to contribute to the spread of renewable energy. We expect the sales impact of expanding our renewable energy business in fiscal 2030 to be around 100 billion yen.

In order to appropriately respond to the “risks” and “opportunities” related to climate change, we will pursue sustainable growth by promoting portfolio management through diverse businesses.

### 2) Indicators and targets

In January 2021, the Daigas Group announced the Daigas Group Carbon Neutral Vision, which aims to achieve carbon neutrality by 2050 by expanding the use of natural gas, which contributes to reducing CO2 emissions in society as a whole, as well as by decarbonizing the city gas feedstock itself through innovations such as methanation and decarbonizing power sources, mainly by introducing renewable energy.

Regarding the indicators and targets for this purpose, we have set three milestones to aim for in FY2031.3: “Contribution to the diffusion of renewable energy: 5 million kW,” “Ratio of renewable energy in domestic electric power business: approximately 50%,” and “Contribution to CO2 emission reduction: 10 million tons.” In March 2023, we released “Daigas Group Energy Transition 2030,” which outlines the overall path toward a low-carbon energy transition, as well as specific initiatives and solutions we can provide to customers towards 2030.

In addition to the above, in 2030, we will take on the challenge of introducing 1% of e-methane into existing city gas infrastructure as part of our efforts to implement methanation in society.

In addition, the amount of renewable energy diffusion contribution increased by 0.71 million kW to 2.11 million kW in FY2023.3, and the ratio of renewable energy increased by 4.9% to 13.0%.

In terms of GHG emissions, the FY2022.3 results were 4.53 million tons for Scope 1, 0.33 million tons for Scope 2, and 21.92 million tons for Scope 3, for a total of 26.79 million tons (figures verified by a third party, Bureau Veritas Japan KK), and the FY2022.3 results for CO2 emission reduction contribution were 3.36 million tons.

The FY2023.3 results of GHG emissions and CO2 emission reduction contribution will be disclosed in the Daigas Group Integrated Report 2023, which is scheduled to be released in September 2023.

The Daigas Group Integrated Report is available on our website.

[https://www.daigasgroup.com/en/sustainability/reportpolicy/integrated\\_report.html](https://www.daigasgroup.com/en/sustainability/reportpolicy/integrated_report.html)

### (3) Investment in human capital and intellectual property

The Group regards its employees as one of its most important management resources.

In the “Medium-Term Management Plan 2023,” we have identified “maximizing value of each employee” as one of our key initiatives, and we are striving to create a personnel system that respects the individuality and autonomy of our employees and a foundation that allows diverse human resources to work safely and healthily, with “employee engagement,” “employee skill development” and “diversity and inclusion” as materiality, aiming to be a company that enables employees to achieve personal growth through work.

The indicators of materiality, management methods and evaluations, and major initiatives are disclosed in the “Providing Work Environment That Supports Employees’ Personal Growth” section of the “Sustainability” section of our website.

Policies, initiatives, and achievements related to diversity promotion and health management are described in this report under “III. Status of Measures to Ensure Due Respect for Stakeholders [Other]” in this report.

In addition, the Group positions intellectual property rights as an important management resource and is actively working to secure and utilize rights in conjunction with its business and technology development strategies.

Please refer to our website and the Annual Securities Report (Section 2.6. “Research and Development Activities”) for specific information on the Group's technological development and intellectual property initiatives and achievements.

(technological development <https://www.osakagas.co.jp/en/rd/>)

**[Supplementary Principle 4.1.1]** (Overview of the Scope of Management Delegation)

The Directors make up the Board of Directors and make important business decisions as well as monitor and supervise business operations.

The Board of Directors establishes its meeting rules, agenda standards for items to be discussed at the meetings, make resolutions and approve important business matters relating to the Group. Important business matters include making decisions on the Group’s business plans, establishing important organizations, making important personnel decisions, making decisions on important investments and contracts, etc. exceeding a certain amount. As for other matters, executive Directors, Executive Officers, and organizational heads are delegated authority for operations in accordance with the Company’s internal rules stipulating job responsibilities and job authorities. To supervise operations, the executive Directors reports the status of operations at least once every three months to the Board of Directors.

**[Principle 4.9]** (Independence Criteria and Qualification for Independent Directors)

Criteria for judging the independence of the Company’s outside Directors are as provided in “II. 1. Organizational Composition and Operation [Independent Officers] Other Matters regarding Independent Officers” of this report.

**[Supplementary Principle 4.10.1]** (Use of Voluntary Committees, etc.)

Explanations regarding Voluntary Committees are as provided in “II. 1. Organizational Composition and Operation [Status of Voluntary Establishment of Committee(s), Composition of Members, and Attributes of Chairperson]” of this report.

**[Supplementary Principle 4.11.1]** (Point of View regarding Overall Balance of the Board of Directors, Diversity and Size)

The Company’s Board of Directors makes important management decisions and supervises operations. In accordance with the Articles of Incorporation, the maximum number of Directors is 15 and the Board is comprised of internal Directors and multiple outside Directors.

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 gender, nationality, career, or age etc., taking their knowledge, experiences, abilities, and personalities etc. into account.

(For details on policies and initiatives regarding diversity and women's empowerment, please refer to “III Implementation of Measures for Shareholders and Other Stakeholders, 3. Status of Measures to Ensure Due Respect for Stakeholders [Other]”. The Group positions the advancement of women as a first step for diversity management, and has set a target of 20% or more in both the ratio of female executives and female directors by FY2031.3. As of June 2023, the ratio of female officers and directors was 26.7% and 20.0%, respectively.

Based on this, in light of the medium- and long-term management plans, Internal Directors shall have experience and expertise, etc. in corporate management, marketing, technology/R&D, DX, global management, ESG, finance/accounting, legal / risk management, human resources development of the Group including the energy business, The Board of Directors as a whole has a well-balanced composition, with outside directors having, in addition to independence that contributes to objective judgment, broad insight, a wealth of experience, and a high degree of expertise in their fields of expertise.

The skills that the Board of Directors should have, identified in light of the medium- to long-term management plan, and the particularly notable skills possessed by each Director are listed in a skills matrix which is available on the following website.

(<https://www.daigasgroup.com/en/sustainability/governance/governance.html>)



**[Supplementary Principle 4.11.2]** (Status of Directors and Audit & Supervisory Board Members Holding Concurrent Positions)

There may be a case where the Company's Directors and Audit & Supervisory Board Members at times serve concurrently as an Officer for another listed company, however, the number thereof is within a reasonable range, and important concurrent positions held are disclosed annually in the business report as well as in the reference documents which are attached to the shareholders meeting convocation notice. Concurrent positions held by Directors are reported regularly to the Board of Directors to make sure that there are no problems with the Director fulfilling his/her duties to the Company.

(Notice of Annual Meeting of Shareholders <https://www.osakagas.co.jp/en/ir/stock/inform/index.html>)

**[Supplementary Principle 4.11.3]** (Analysis and Evaluation of Effectiveness of the Board of Directors as a Whole)

The Board of Directors analyzes and evaluates the effectiveness of the Board of Directors each fiscal year based on the results of interviews conducted by the Secretariat of the Board of Directors with each Director and Audit & Supervisory Board Member. The methods and results of the evaluation of the effectiveness of the Board of Directors for the fiscal year ended March 31, 2023 are summarized below.

(1) Evaluation Method

- Interviews were conducted with all Directors (10) and all Audit & Supervisory Board Members (5) from March to April 2023 regarding the composition of the Board of Directors, its operation, and the content of deliberations, etc.
- Discussed and confirmed the effectiveness of the Board of Directors at the Outside Directors Meeting held in April of the same year (attended by all outside Directors and outside Audit & Supervisory Board Members).
- At the Board of Directors meeting held in May of the same year, outside Directors reported the results of the Outside Directors Meeting, and the Board of Directors confirmed their assessment of the effectiveness of the Board of Directors for the fiscal year ending March 31, 2023.

(2) Interview Items

Based on periodic evaluations by external professional organizations, we have established interview items for the fiscal year ending March 31, 2023. The major items of the interview are as follows.

<Major items of the Interview>

1) Initiatives in response to issues from the previous year

- Medium- to long-term themes that question the direction of the company as a whole
- Further enhance the provision of information for judging director candidates
- Devices to deepen discussion at board meetings

2) Composition of the Board of Directors

- The ideal structure and composition of the Board of Directors to realize the long-term management vision and medium-term management plan Ensure diversity (gender, expertise, experience, ability, etc.), etc.

3) Operation of the Board of Directors, etc.

- Frequency and time of meetings, agenda, materials
- Development of appropriate management strategies and plans, status of response to key issues such as climate change risks and DX, etc.

4) Advisory committee

- Frequency of meetings, content of deliberations, method of operation, topics to be discussed, etc.

5) Outside Directors Meetings, etc.

- Exchange of opinions on themes and management development, etc.

6) Free opinion

(3) Summary of Evaluation Results for the Fiscal Year Ending March 31, 2023

- The issues identified in the previous fiscal year (set medium- to long-term themes that question the direction of the company as a whole, further enhance the provision of information for judging candidates for directors, and devices to deepen discussion at board meetings.) have improved.

- The Board of Directors discussed the direction of improvement for the issues of this fiscal year, prioritizing them according to their level of importance and the period of time required for their consideration.  
<Major issues>
- Board operations that devote more time to discussion
- Expansion of Advisory Committee on Management
- Expansion of opportunities for Outside Directors to exchange views with internal Directors
- Cultivate internal executive candidates from a medium- to long-term perspective (especially women and highly specialized personnel)

**[Supplementary Principle 4.14.2]** (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 measures like 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.

**[Principle 5.1]** (Policy for Constructive Dialogue with Shareholders)

The Company looks to build long-term relationships with its shareholders and investors based on trust by making timely and fair information disclosures regarding the Group's business and finances and by engaging in constructive dialogue with them.

(1) Responsible person/promotion system

Dialogue with shareholders and investors is overseen by the Representative Director, Executive Vice President and President of the Corporate Planning HQ, with the IR organization of the Corporate Strategy Department playing a central role as the responsible department. Depending on the theme of the dialogue, corporate departments such as the Finance Department, Corporate Communication Department and General Affairs Department and related organizations such as each business unit organically collaborate to implement the dialogue.

Specifically, the Company conducts quarterly briefings for analysts and institutional investors. In addition, the Company holds individual IR meetings, ESG-focused meetings, and other meetings in response to the needs of analysts and institutional investors.

For individual investors, in addition to holding the briefings as necessary, the Company provides an explanation on the businesses and management plans on the Company website (\*1). Furthermore, in addition to statutory disclosures such as annual securities reports and notices of annual meeting of shareholders, we have created websites dedicated to IR information (\*2) and sustainability information (\*3), and publish Integrated Reports, Fact Books, and other information. In the Integrated Report, we will include a message from the outside directors to shareholders and other stakeholders.

<List of activities in fiscal year 2023.3>

President and Representative Director: Annual Meeting of Shareholders, financial results briefings, president's small meetings, dialogue with domestic institutional investors (3 times), dialogues with overseas institutional investors (5 times)

Executive Vice President and Representative Director: Annual Meeting of Shareholders, dialogues with overseas institutional investors (10 times)

Department in charge of IR: Financial results briefings, business briefings, management plan briefings, individual investor briefings, ESG briefings, dialogue with sell-side analysts (approx. 30 times), dialogue with domestic institutional investors (approx. 110 times), dialogue with overseas institutional investors (approx. 30

times), etc.

General Affairs Department: Dialogue with domestic shareholders (7 times)

< Main themes of the dialogue >

- Most recent results (impact of the Freeport LNG Liquefaction Terminal shutdown, status of each segment, etc.)
- Medium- to long-term business strategies (e.g., progress in ROIC management, addressing the need for a decarbonized society, etc.)
- Financial strategy (approach to capital structure, shareholder return policy, etc.)
- ESG Initiatives (CO2 emissions, renewable energy diffusion contribution, human capital strategy, governance initiatives, etc.)

## (2) Feedback to Management

In addition to providing opportunities for senior management to engage in direct dialogue with shareholders and investors, the Company has a system in place and functioning to ensure that opinions from shareholders and investors and management issues obtained through IR activities are appropriately reported, discussed, and confirmed by the Board of Directors and senior management.

## (3) Management of insider information

The Company has established a disclosure policy (\*4) concerning insider information (material information not yet made public) pursuant to its information disclosure rules and insider trading rules and has rules against transmitting insider information. The two-week period leading up to a results announcement is designated as a “quiet period” and no information is given out regarding the upcoming financial results announcement during this period.

(\*1) <https://www.daigasgroup.com/ir/investor/index.html>

(\*2) <https://www.osakagas.co.jp/en/ir/stock/index.html>

(\*3) <https://www.daigasgroup.com/en/sustainability/>

(\*4) <https://www.daigasgroup.com/en/ir/disclosure-policy/>

## [Principle 5.2] (Formulate and Publish Management Strategies and Plans)

The Company has formulated our “Long-Term Management Vision,” which sets forth the direction of our business domains and activities for FY2031.3, aiming to become “an innovative energy & service company that continues to be the first choice of customers” and to triple consolidated ordinary income in FY2018.3 based on our “three business pillars (Domestic Energy Business, International Energy Business, and Life & Business Solution Business).” To achieve this goal, we have formulated a three-year “Medium-Term Management Plan” (2021-2023) based on discussions at the Board of Directors meetings. The plan focuses on improving earning power in each business and evolving business portfolio management through the introduction of ROIC, a profitability indicator that takes into account the cost of capital. Specifically, We set an ROIC target for each business and use them for investment decisions, etc., and we conduct regular reviews to promote asset replacement and resource allocation, aiming to build a strong business portfolio more flexibly and quickly. As medium-term management indicators, we aim to achieve a ROIC of approximately 5% (7% by FY2031.3), ROE of approximately 7.5%, D/E ratio of approximately 0.7 as a financial soundness indicator, and equity ratio of approximately 50%.

These details are appropriately explained at financial results briefings and IR opportunities, in addition to announcements on our website.

[\(https://www.daigasgroup.com/en/ir/manage/\)](https://www.daigasgroup.com/en/ir/manage/)

## [Actions to Achieve the Management Being Conscious of Cost of Capital and Stock Price]

As stated in [Principle 5.2: Formulate and Publish Management Strategies and Plans]

## [Promotion of Dialogue with Shareholders and Disclosure]

As stated in [Principle 5.1: Policy for Constructive Dialogue with Shareholders]



## 2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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### [Status of Major Shareholders] (Updated)

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	67,279,400	16.19%
Custody Bank of Japan, Ltd. (trust account)	25,601,900	6.16%
Nippon Life Insurance Company	13,469,784	3.24%
MUFG Bank, Ltd.	11,188,780	2.69%
Resona Bank, Limited	10,555,416	2.54%
STATE STREET BANK WEST CLIENT-TREATY 505234	9,296,008	2.24%
Aioi Nissay Dowa Insurance Co., Ltd.	5,973,183	1.44%
Meiji Yasuda Life Insurance Company	5,838,261	1.40%
JP MORGAN CHASE BANK 385781	5,204,791	1.25%
STATE STREET BANK AND TRUST COMPANY 505103	5,200,261	1.25%

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

### Supplementary Explanation (Updated)

- Above information on Status of Major Shareholders is based on the list as of March 31, 2023.

## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	March
Type of Business	Electric Power & Gas
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) of the Previous Fiscal Year	More than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

## 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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## 5. Other Special Circumstances which may Have Material Impact on Corporate Governance

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## II. Status of Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	Chairman of the Company (except when also serving as President)
Number of Directors	10
Appointment of outside Directors	Yes
Number of outside Directors	4
Of the outside Directors, Number Appointed as Independent Officers	4

#### Outside Directors' Relationship with the Company (1) (Updated)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Kazutoshi Muraio	From another company												
Tatsuo Kijima	From another company												
Yumiko Sato	From another company												
Mikiyo Niizeki	Academic												

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive Director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Officer

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside Directors are mutually appointed (the director himself/herself only)

- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)  
k. Others

Outside Directors' Relationship with the Company (2) (Updated)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Kazutoshi Murao	○	None of a. through k. above are applicable.	<p>The Company in principle selects candidates for Directors from a diverse group of people without regard to gender, nationality, career or age etc., taking their knowledge, experiences, abilities, and personalities etc. into account. Furthermore, outside Directors are basically required to have independent-mindedness for making objective judgments, wide-ranging knowledge, a wealth of experience, and expertise in their specialized fields. Mr. Murao has the experience of serving as Representative Director and President of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION and has not only considerable experience and extensive knowledge in corporate and organizational management but also other expertise and experience. Since assuming the office of Director of the Company in June 2019, Mr. Murao has appropriately performed his duties as an outside Director, so the Company considers him qualified as an outside Director and has appointed him to serve. Further, because the Company has specified criteria for determining the independence of outside Officers, i.e., not having any special conflict-of-interest relationship with the Company impacting decision-making, and Mr. Murao satisfies those criteria, the Company judges that he is adequately independent and that there is no concern that there will be a conflict of interest with general shareholders.</p>
Tatsuo Kijima	○	None of a. through k. above are applicable.	<p>The Company in principle selects candidates for Directors from a diverse group of people without regard to gender, nationality, career, age, etc., taking their knowledge, experiences, abilities, and personalities etc. into account. Furthermore, outside Directors are basically required to have independent-mindedness for making</p>

			<p>objective judgments, wide-ranging knowledge, a wealth of experience, and expertise in their specialized fields. Mr. Kijima has the experience of serving as President, Representative Director and Executive Officer of West Japan Railway Company and has not only considerable experience and extensive knowledge expertise in corporate and organizational management but also other expertise and experience.</p> <p>Since assuming the office of Director of the Company in June 2020, Mr. Kijima has appropriately performed his duties as an outside Director, so the Company considers him qualified and has appointed him as an outside Director. Further, because the Company has specified criteria for determining the independence of outside Officers, i.e., not having any special conflict-of-interest relationship with the Company impacting decision-making, and Mr. Kijima satisfies those criteria, the Company judges that he is adequately independent and that there is no concern that there will be a conflict of interest with general shareholders.</p>
Yumiko Sato	○	None of a. through k. above are applicable.	<p>The Company in principle selects candidates for Directors from a diverse group of people without regard to gender, nationality, career, age, etc., taking their knowledge, experiences, abilities, and personalities etc. into account. Furthermore, outside Directors are basically required to have independent-mindedness for making objective judgments, wide-ranging knowledge, a wealth of experience, and expertise in their specialized fields. Ms. Sato has made numerous considerable achievements in the field of social studies related to life and culture. In addition, she held positions as General Manager of Next Generation Institute of Suntory Co., Ltd. and Trustee of Otemon Gakuin Educational Foundation, and has not only deep insight in life and culture but also other expertise and experience, Since assuming the office of Director of the Company in June 2021, Ms. Sato has appropriately performed her duties as an outside Director, so the Company considers her qualified as an outside Director and has appointed her to serve.</p>

			Further, because the Company has specified criteria for determining the independence of outside Officers, i.e., not having any special conflict-of-interest relationship with the Company impacting decision-making, and Ms. Sato satisfies those criteria, the Company judges that she is adequately independent and that there is no concern that there will be a conflict of interest with general shareholders.
Mikiyo Niizeki	○	None of a. through k. above are applicable.	The Company in principle selects candidates for Directors from a diverse group of people without regard to gender, nationality, career, or age etc., taking their knowledge, experiences, abilities, and personalities etc. into account. Furthermore, outside Directors are basically required to have independent-mindedness for making objective judgments, wide-ranging knowledge, a wealth of experience, and expertise in their specialized fields. Ms. Niizeki has made numerous considerable achievements in research activities in the field of economics related to finance and investment, and has deep insight into the field of economics and abundant experience and other expertise in organizational management, including serving as Vice President of Doshisha University and Director of its Educational Support Organization but also other expertise and experience, so the Company considers her qualified as an outside Director and has appointed her to serve. Further, because the Company has specified criteria for determining the independence of outside Officers, i.e., not having any special conflict-of-interest relationship with the Company impacting decision-making, and Ms. Niizeki satisfies those criteria, the Company judges that she is adequately independent and that there is no concern that there will be a conflict of interest with general shareholders.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Status of Voluntary Establishment of Committee(s), Composition of Members, and Attributes of Chairperson  
(Updated)

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Advisory Committee on Nominations	Advisory Committee on Remuneration
All Committee Members	5	6
Full-time Members	0	0
Inside Directors	1	2
Outside Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

### Supplementary Explanation (Updated)

From the perspective of enhancing corporate value, ensuring objectivity and transparency in the decision-making process, the Company has established a voluntary advisory committee to deliberate on medium- to long-term strategies, key issues such as sustainability, selection of candidates for directors and corporate auditors, selection and dismissal of representative directors and other executive directors, succession planning, policies for determining remuneration and matters related to the content of compensation.

The voluntary advisory committee consists of all independent outside Directors (all four of whom meet the criteria for independence established by the Company (\*1)), the President and Representative Director, and a person appointed by the President as necessary (the President may appoint up to one person from among other Representative Directors).

#### <Composition of Committees>

- Advisory Committee on Appointment:  
committee chairman Kazutoshi Murao (Outside Director)  
committee member Masataka Fujiwara (Representative Director and President), Tatsuo Kijima (Outside Director), Yumiko Sato (Outside Director), Mikiyo Niizeki (Outside Director)
- Advisory Committee on Remuneration:  
committee chairman Yumiko Sato (Outside Director)  
committee member Masataka Fujiwara (Representative Director and President), Takayuki Tasaka (Representative Director), Kazutoshi Murao (Outside Director), Tatsuo Kijima (Outside Director), Mikiyo Niizeki (Outside Director)
- Advisory Committee on Management:  
committee chairman Tatsuo Kijima (Outside Director)  
committee member Masataka Fujiwara (Representative Director and President), Takeshi Matsui (Representative Director), Kazutoshi Murao (Outside Director), Yumiko Sato (Outside Director), Mikiyo Niizeki (Outside Director)

#### < Attendance of Chair and Committee Members (April 2022 - March 2023)>

In FY2023.3, the Advisory Committee on Appointment and Remuneration each met three times, and the Management Advisory Committee met twice, with 100% attendance by all members of each committee.

#### < Main Issues Discussed >

Advisory Committee on Appointment: Matters to be considered in the selection of candidates for directors, election of candidates for directors, selection and dismissal of representative directors and other executive directors, skills matrix, etc.

Advisory Committee on Remuneration: Policy for determining Directors' remuneration, appropriateness of remuneration levels, calculation method for performance-linked portion, coefficient of payment for performance-linked portion, etc.

Advisory Committee on Management: Prospects and challenges for achieving Carbon Neutrality, trends in



human capital and the Company's personnel policies  
 \*1. Criteria for judging the independence of the Company's outside Directors are as provided in "II. 1. Organizational Composition and Operation [Independent Officers]" of this report.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in the Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

The effectiveness and quality of auditing are improved through enhanced mutual cooperation by sharing information as necessary, including holding regular meetings concerning annual audit plans and audit reports. Further, the Head of the Auditing Department and outside Officers (outside Audit & Supervisory Board Members and outside Directors) exchange opinions regarding the status of internal controls and risk management.

Appointment of outside Audit & Supervisory Board Members	Appointed
Number of outside Audit & Supervisory Board Members	3
Number of outside Audit & Supervisory Board Members Designated as Independent Officers	3

Outside Audit & Supervisory Board Members' Relationship with the Company (1) (Updated)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Shigemi Sasaki	Other													
Eriko Nashioka	Certified Public Accountant													
Chieko Minami	Academic													

\* Categories for "Relationship with the Company"

\* "○" when the person presently falls or has recently fallen under the category;

"△" when the person fell under the category in the past

\* "●" when a close relative of the person presently falls or has recently fallen under the category;

"▲" when a close relative of the person fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive Director or accounting advisor of the Company or its subsidiaries

c. Non-executive Director or executive of a parent company of the Company

d. Audit & Supervisory Board Member of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as an Officer
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
- k. Executive of a company, between which and the Company outside Directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- m. Others

Outside Audit & Supervisory Board Members' Relationship with the Company (2) (Updated)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Shigemi Sasaki	○	None of a. through m. above are applicable.	<p>The Company in principle selects candidates for Audit &amp; Supervisory Board Members from a diverse group of people without regard to gender, nationality, career, age, etc., taking their knowledge, experiences, abilities, and personalities etc. into account. Furthermore, outside Audit &amp; Supervisory Board Members are basically required to have independent-mindedness for making objective judgments, wide-ranging knowledge, a wealth of experience, and expertise in their specialized fields.</p> <p>Mr. Sasaki has not only considerable experience and professional knowledge in law as Chief Justice of the Takamatsu High Court and Chief Justice of the Osaka High Court but also other expertise and experience, so the Company considers him qualified as an outside Audit &amp; Supervisory Board Member and has appointed him.</p> <p>Further, because the Company has specified criteria for determining independence of outside Officers, i.e., not having any special conflict-of-interest relationship with the Company impacting decision-making, and</p>

			Mr. Sasaki satisfies those criteria, the Company judges that he is adequately independent and that there is no concern that there will be a conflict of interest with general shareholders.
Eriko Nashioka	○	None of a. through m. above are applicable.	<p>The Company in principle selects candidates for Audit &amp; Supervisory Board Members from a diverse group of people without regard to gender, nationality, career, or age etc., taking their knowledge, experiences, abilities, and personalities etc. into account. Furthermore, outside Audit &amp; Supervisory Board Members are basically required to have independent-mindedness for making objective judgments, wide-ranging knowledge, a wealth of experience, and expertise in their specialized fields.</p> <p>Ms. Nashioka has not only accumulated abundant experience as a Certified Public Accountant and Licensed Tax Accountant but also made considerable achievements in research activities in the field of environmental accounting. In addition, she has served as Representative Director of the Institute for Environmental Management Accounting, accumulating considerable experience and deep insight in the fields of finance and accounting and ESG (Environment, Society and Governance) as well as other expertise and experience, so the Company considers her qualified as an outside Audit &amp; Supervisory Board Member and has appointed her.</p> <p>Further, because the Company has specified criteria for determining the independence of outside Officers, i.e., not having any special conflict-of-interest relationship with the Company impacting decision-making, and Ms. Nashioka satisfies those criteria, the Company judges</p>

			that she is adequately independent and that there is no concern that there will be a conflict of interest with general shareholders.
Chieko Minami	○	None of a. through m. above are applicable.	<p>The Company in principle selects candidates for Audit &amp; Supervisory Board Members from a diverse group of people without regard to gender, nationality, career, or age etc., taking their knowledge, experiences, abilities, and personalities etc. into account. Furthermore, outside Audit &amp; Supervisory Board Members are basically required to have independent-mindedness for making objective judgments, wide-ranging knowledge, a wealth of experience, and expertise in their specialized fields.</p> <p>Ms. Minami has made numerous achievements in research activities in the field of business administration related to marketing, DX, etc., and has deep insight into the field of business administration, abundant experience in organizational management, and other expertise, including serving as the Assistant to the President of Kobe University and Vice President of Kobe University, so the Company considers her qualified as an outside Audit &amp; Supervisory Board Member and has appointed her.</p> <p>Further, because the Company has specified criteria for determining the independence of outside Officers, i.e., not having any special conflict-of-interest relationship with the Company impacting decision-making, and Ms. Minami satisfies those criteria, the Company judges that she is adequately independent and that there is no concern that there will be a conflict of interest with general shareholders.</p>

**[Independent Officers]**

Number of Independent Officers	7
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Other Matters regarding independent Officers

All outside Officers of the Company (four outside Directors and three outside Audit & Supervisory Board Members) are appointed as independent officers.

The Company has established criteria for determining the independence of its outside Officers as follows.

1. The individual may not be an executive Director, Officer, Executive Officer, or employee (“business operator”) of the Company or its affiliates (the “Company Group”) and may not have been a business operator of the Company Group for ten (10) years prior to being appointed.
2. The individual may not be a major vendor of the Company (\*1) or an executive thereof, and may not have been a business operator of the same for three (3) years prior.
3. The individual may not be a major client of the Company (\*2) or an executive thereof, and may not have been a business operator of the same for three (3) years prior.
4. The individual may not be a major shareholder (an individual or entity which owns 10% or more of the total voting rights of the Company, hereafter the same) or an executive thereof.
5. The individual may not be an executive of an entity for which the Company is a major shareholder.
6. The individual may not be receiving substantial donations (\*3) from the Company or be an executive for an entity receiving such donations.
7. In addition to remuneration as an Officer, the individual may not receive substantial remuneration (\*4) from the Company as a consultant, an accounting specialist such as a Certified Public Accountant, etc. or as a legal specialist such as an attorney, etc. (if the entity receiving the fees concerned is a corporation or a limited liability company, etc., any individual belonging to such an organization). The individual also may not be the Accounting Auditor of the Company Group.
8. If a business operator of the Company is an outside officer of another company, the individual may not be an executive at the company concerned, the parent company or subsidiary of the company concerned.
9. The individual may not be a close relative (spouse or a relation in the second degree) of persons listed below:
  - (a) Persons who are currently or have been a Director, Audit & Supervisory Board Member, Executive Officer or a key employee with an equivalent position (“important executive”) for the Company Group within the past three years.
  - (b) Of the persons in 2 to 6 above, those who are important executives.
  - (c) Of the persons listed in 7 above, those who have professional licenses such as CPAs, attorneys, etc.
10. In addition to 1 to 9 above, individuals must not have issues that could cause constant and real conflicts of interest against the Company’s general shareholders.

\*1. Payment amount to vendor accounts for 2% of consolidated sales or more  
\*2. Received amount from client accounts for 2% of the Company Group’s consolidated sales or more, or the loan balance outstanding is 2% of the Company Group’s consolidated gross assets or more  
\*3. More than 10 million yen on average over the past three years  
\*4. The larger of more than 10 million yen on average over the past three years or an amount equivalent to 2% of total sales (total revenues) of the organization to which payment is made (three-year average)

Even if the individual does not satisfy one of the criteria listed above in 1 to 10, if the individual is suitable as an independent officer, the Company may still appoint him/her as an independent officer of the Company by providing an explanation or disclosing the reasons.

**[Incentives]**

Incentive Policies for Directors	Performance-linked remuneration system, etc. established
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Supplementary Explanation

The policy and procedures for deciding officer remuneration are as provided in “II 2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System), (4) Policies on Deciding Remuneration for Officers.”

Recipients of Stock Options

Supplementary Explanation

**[Director Remuneration]**

Disclosure of Individual Directors’ Remuneration No Individual Disclosure

Supplementary Explanation (Updated)

Remuneration paid to Directors in the fiscal year ended March 31, 2023 reached 417 million yen.

Policy on Determining Remuneration Amounts and Calculation Methods Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The policy on determining remuneration amounts and calculation methods are as provided in “II. 2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System), (4) Policies on Deciding Remuneration for Officers.”

**[Support System for Outside Directors and/or Audit & Supervisory Board Members]**

Outside Directors are assisted by the Secretariat Department and outside Audit & Supervisory Board Members are assisted by the Office of Audit & Supervisory Board. To deepen their overall knowledge of the Company, opportunities are provided so that information can be provided in a timely and appropriate manner to outside Directors and Audit & Supervisory Board Members.

**[Status of Those Who Resigned from Representative Director, President etc.]**

Name etc. of Senior Advisor/Advisor who is a Former President and Representative Director etc.

Name	Title / Status	Content of Operation	Working Form/Conditions (Full-time/Part-time, Paid/Unpaid, etc.)	Date of Retirement from President, etc.	Term
Hiroshi Ozaki	Senior Advisor	External activities with industry groups and business circles and contributions to local communities, among other things	Full Time/ With Compensation	March 31, 2015	Renewed every year



Akio Nomura	Special Advisor	External activities with industry groups and business circles and contributions to local communities, among other things	Part-Time/ With Compensation	June 27, 2003	Renewed every year
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Total number of counselors, advisors, etc., who previously held positions such as Representative Director President	2
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Other Matters

The Company sometimes appoints counselors and special advisors. Presently, one Senior Advisor and one Special Advisor have been appointed.

## 2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) (Updated)

<p>(1) Corporate Governance System of the Company  The Company has selected to be a company with Audit &amp; Supervisory Board and adopted an executive officer system. The corporate governance system of the Company is as follows.</p> <p>a. Board of Directors, Directors of the Company  The Board of Directors consists of 10 Directors (including four outside Directors). Its mission is to formulate the Regulations of the Board of Directors and standards for voting on resolutions in the Board of Directors, make swift and appropriate decisions about important matters that affect the whole Group including subsidiaries, and enhance supervisory capabilities.  The Articles of Incorporation stipulate that there shall be no more than 15 Directors. They also direct that the appointment of Directors is to take place with a quorum of shareholders possessing at least one-third of shareholder voting rights and by a majority of voting rights held by shareholders present, and that no cumulative voting may be used for appointing Directors.  In FY2023.3, the Board of Directors held 13 meetings, with 100% attendance by all Directors. Meetings discussed the Group’s management plans, the establishment of important organizations, important human resources matters, execution of important investments and agreements greater than a certain amount, and operational status reports from executive Directors, etc.</p> <p>b. Executive Officers  The Company has adopted an executive officer system (Executive Officers consists of Executive President, Executive Vice Presidents, Senior Executive Officers, and Executive Officers), which enables the Directors of the Company to focus on making business decisions and monitoring and supervising, and work toward strengthening business efficiency and 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.</p> <p>c. Management Meeting  The Company examines basic management policies and important management issues at the Management Meeting and fully deliberates the foregoing before decision-making. In accordance with internal regulations, the Management Meeting consists of the President, Executive Vice President, and Senior Executive Officer. In principle, the Management Meeting is held three times per year as “ESG Council”, which deliberate on activity plans and report on activities related to the promotion of ESG management.</p> <p>d. Audit &amp; Supervisory Board, Audit &amp; Supervisory Board Members  The Audit &amp; Supervisory Board consists of five Audit &amp; Supervisory Board Members, of whom three are outside Auditors and each Audit &amp; Supervisory Board Member monitors the execution of work duties by the Directors.</p>
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e. Auditing Department

The Company has established the Audit Department as its internal audit division. Based on an annual audit plan and from an independent and objective standpoint, we evaluate the compliance and efficiency of business activities and the appropriateness of systems and standards, identify issues, and make recommendations and follow-up actions that lead to operational improvements in the audited organization. Audit results are reported regularly to all attendees of the Board of Directors and the Audit & Supervisory Board, in addition to periodic reports at the Management Meetings. In the event that an internal audit identifies a matter that may have a significant impact on management, the executive officer in charge of the Audit Department or the General Manager of the Audit Department reports to the Board of Directors (dual reporting). At the same time, in accordance with internal rules, the Company is striving to enhance and strengthen its auditing and internal control functions by appointing auditors (internal auditors) at business divisions, Core Non-Energy Business Companies, Network Company, Core Energy Business Companies, etc., and conducting self-audits. The Audit Department, in cooperation with the internal auditors, evaluates internal control over financial reporting based on the Financial Instruments and Exchange Law, and reports the results to the Management Meeting. The Audit Department maintains and improves the quality of audit work while taking into consideration the opinions and evaluations of external organizations.

The General Manager of the Audit Department exchanges information with corporate auditors and accounting auditors as needed to enhance mutual cooperation and improve the effectiveness and quality of audits, and exchanges opinions with external officers (outside corporate auditors and outside directors) on the status of internal controls and risk management.

f. Advisory Committee

The Advisory Committee consists of all the outside Directors (four), the President and, if necessary, a person appointed by the President (the President may appoint up to one person from among the other Representative Directors).

From the perspective of enhancing corporate value, ensuring objectivity and transparency in the decision-making process, the committees deliberate on medium- to long-term strategies, key issues such as sustainability, the selection of candidates for directors and corporate auditors, matters concerning the selection and dismissal of representative directors and other executive directors, and matters concerning directors' remuneration. All committees are chaired by outside directors (Advisory Committee on Management, Advisory Committee on Appointment, and Advisory Committee on Remuneration).

g. ESG Committee

The Company has established the ESG Committee to promote activities relating to the Group's sustainability, including the environment, compliance, social contribution, respect for human rights, and risk management.

h. Safety and Disaster Prevention Committee

In order to take all possible measures to ensure safety, disaster prevention, and gas supply stability after the legal separation of the gas pipeline division, the Company established the Safety and Disaster Prevention Committee to centrally manage events and promote measures, related to safety, disaster prevention, and gas supply stability within the Group.

i. Cyber Security Committee

The Company has established the Cyber Security Committee to reinforce the cyber security measures of the Group.

j. Investment Evaluation Committee

The Company has established the Investment Evaluation Committee to examine risk and return and makes an evaluation on investments exceeding a certain amount, and it reports findings to the Management Meeting to help make appropriate investment decisions.

k. DX Committee

The Company has established the DX Committee to coordinate and promote the Group-wide DX from the perspective of alignment with business, IT, financial strategies, etc.

(2) Matters Relating to Outside Directors (Roles and Functions of Outside Directors)

Based on their own experience and insights in their respective fields, each outside Director plays a role in

decision-making as a member of the Board of Directors and monitors and supervises the execution of work duties of the executive Directors from an independent viewpoint.

### (3) Initiatives for Bolstering the Functions of the Audit & Supervisory Board Members

The Company selects three outside Audit & Supervisory Board Members, who monitor the execution of work duties of the Directors from an independent viewpoint and strive to raise the effectiveness and quality of auditing by sharing information as necessary by holding regular meetings concerning annual audit plans and audit reports. 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.

The Auditing Department, Audit & Supervisory Board Members, and accounting auditors share information from time to time as necessary, including regular meetings on annual audit plans and audit reports, among other things, thereby working to enhance coordination and ensure the efficacy and quality of audits. Further, the Head of the Auditing Department and outside Officers (outside Audit & Supervisory Board Members and outside Directors) exchange opinions regarding the status of internal controls and risk management.

### (4) Policies on Deciding Remuneration for Officers

#### 1) Decision Policies on Content of Remuneration, etc. for Each Individual Director

The Company has established a policy on determining the content of remuneration, etc. for each individual Director (hereinafter the "Policy on Determining Remuneration") as prescribed by the resolution of the Board of Directors after deliberation at a voluntarily appointed advisory committee on remuneration made up of a majority of the outside Directors. This policy is summarized below. The system of paying retirement benefits to Directors has been abolished.

#### < Policy on Determining Remuneration >

##### a. Basic Approach

Remuneration for Directors shall be provided in a remuneration system designed to raise motivation for Directors to achieve sustainable growth and mid- to long-term increase in corporate value. Remuneration for Directors other than outside Directors shall consist of basic remuneration as fixed remuneration, performance-linked remuneration and stock-based remuneration, and remuneration for outside Directors shall only consist of basic remuneration as fixed remuneration, as they have a standpoint independent of business execution.

Remuneration for Directors shall be determined within the total amount of remuneration approved at the Annual Meeting of Shareholders, after deliberation at a voluntarily appointed Advisory Committee on Remuneration made up of a majority of the outside Directors, from the perspective of ensuring objectivity and seeking transparency in the decision-making process.

##### b. Basic Remuneration

Basic remuneration shall be monetary remuneration paid on a monthly basis. The amount shall be determined in accordance with the rules prescribed by the resolution of the Board of Directors, while considering such factors as each Director's position and responsibilities, public standards, and other factors.

##### c. Performance-linked Remuneration

Performance-linked remuneration shall be monetary remuneration paid on a monthly basis. The amount shall be determined using the profit attributable to owners of parent for the past three years and the coefficient of ESG indicators achievement in the previous year (\*1) as the main indicator to encourage contribution to short-term and mid- to long-term increases in corporate value.

#### < ESG Indicators >

ESG indicators such as number of customer accounts, ratio of renewable energy sources, amount of CO2 emission reduction contribution, ratio of female executives and female managers, etc. are shown on the website.

(<https://www.daigasgroup.com/en/sustainability/materiality/>)

##### d. Stock-based Remuneration

Restricted stock shall be granted at a certain time every year for the purpose of strengthening the linkage between remuneration and mid- to long-term increase in corporate value and further promoting sharing of value with the shareholders. The number of shares to be granted shall be determined with consideration for the positions and responsibilities of each Director and stock prices, etc. (\*2)

##### e. Ratio by Type of Remuneration

For Directors other than outside Directors, the standard ratio of basic remuneration, performance-linked

remuneration, and stock-based remuneration should be 5:4:1. Remuneration for outside Directors shall fully consist of basic remuneration.

f. Procedures for Determining Remuneration

The content of remuneration for each individual Director shall be made in accordance with the rules prescribed by the resolution of the Board of Directors, and, after deliberation at the voluntarily appointed Advisory Committee on Remuneration, shall be determined by the resolution of the Board of Directors. However, the content of monetary remuneration may be determined by the Representative Director and President based on the delegation of authority by the resolution of the Board of Directors.

(\*1): By resolution of the Board of Directors meeting held on December 23, 2021, a change was made to add a coefficient for the achievement level of ESG indicators for the previous fiscal year. The change will be applied from July 2023 onward, when compensation is paid based on FY2023.3 results.

(\*2): In the event that the grantee of stock-based compensation commits an act of misconduct, files a petition for commencement of bankruptcy proceedings, or falls under other certain events stipulated in the restricted stock allotment agreement, the Company will naturally acquire all or part of the allotted shares without compensation (Malus and Clawback clauses).

2) Resolution of the Annual Meeting of Shareholders on Remuneration, etc. of Directors

The amount of remuneration for Directors was approved at the 203rd Annual Meeting of Shareholders held on June 25, 2021 to be up to 57 million yen per month for the monetary remuneration quota, within 72 million yen per year for the stock remuneration quota, and within 48,000 shares per year for the maximum number of shares. The number of Directors at the end of said Annual Meeting of Shareholders was 10.

3) Delegation, etc. of Decision of Content of Remuneration, etc. for Each Individual Director

The amount, timing and method of remuneration payment for each Director in FY2023.3 is determined by Representative Director and President Masataka Fujiwara based on delegation of authority by a resolution of the Board of Directors. The Company has delegated the above authority to the Representative Director and President, as the position is considered to be the best suited to determine the contents of remuneration, taking into account the status of the execution of duties by each executive Director while maintaining a comprehensive view of the Company's performance.

In addition, to ensure that the authority of the Representative Director and President is exercised appropriately, the delegation of authority is conducted so that the remuneration amount, etc. for each individual Director is determined in accordance with the Policy on Determining Remuneration and the rules prescribed by the resolution of the Board of Directors, while considering such factors as each Director's position and responsibilities, public standards, and the Company's business performance, after deliberation at a voluntarily appointed Advisory Committee made up of a majority of the outside Directors. As the amount of remuneration, etc. for each individual Director is determined through such a procedure, the Board of Directors has judged that the content of remuneration, etc. for each individual Director for the fiscal year under review is in line with the Policy on Determining Remuneration.

4) Resolution of the Annual Meeting of Shareholders and Decision on Remuneration, etc. for Audit & Supervisory Board Members

The amount of remuneration for Audit & Supervisory Board Members was approved at the 176th Annual Meeting of Shareholders held on June 29, 1994 to be up to 14 million yen per month. The number of Audit & Supervisory Board Members at the end of said Annual Meeting of Shareholders was five.

The amount of remuneration for each Audit & Supervisory Board Member shall be determined through discussions among Audit & Supervisory Board Members within this amount, and consisting only of fixed remuneration because they are assigned the role of auditing the execution of duties by Directors from a standpoint independent of the performance of the Company's businesses, and taking into consideration the position, etc. of each Audit & Supervisory Board Member.

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

(5) Policies on Selecting Candidates for Directors and on Selecting and Dismissing Representative Directors and Other Executive Directors

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 gender, nationality, career, age, etc., taking their knowledge, experiences, abilities, and personalities, etc. into account.

In addition and in principle, based on medium- and long-term management plans, internal Directors and Audit & Supervisory Board Members shall have experience and expertise, etc. in corporate management, financial accounting, marketing, legal affairs and risk management, etc. of the Group, including the energy business, and outside Directors and Audit & Supervisory Board Members shall have not only independence that enables objective judgments but also wide-ranging knowledge, a wealth of experience, and expertise in their specialized fields. Further, the Company has heretofore ensured agile adaptation to changes in the management environment and clarification of management responsibilities by setting the term of appointment for Directors at one year.

In selecting candidates for Directors and Audit & Supervisory Board Members and selecting and dismissing Representative Directors and other executive Directors, pursuant to the above policy, the Company makes a decision based on the deliberation of a voluntary advisory committee in which outside Directors comprise a majority from the standpoint of securing objectivity and transparency of the decision-making process (the composition of the voluntary Advisory Committee is the same as the Advisory Committee on Remuneratio.)

### **3. Reasons for Adoption of Current Corporate Governance System**

The Company considers its current governance system best suited in order to respond swiftly to changes in the Group's business environment, make transparent, fair and decisive decisions, and implement efficient and appropriate actions. The reasons are as follows:

- The Company has adopted an executive officer system, which enables the Directors of the Company to focus on making business decisions and monitoring and supervising, and work toward strengthening the business efficiency and the supervisory functions by vitalizing the Board of Directors.
- The Company has appointed several outside Directors, who monitor and supervise the execution of work duties of the executive Directors from an independent viewpoint, and outside Audit & Supervisory Board Members, who monitor the execution of work duties of the Directors from an independent viewpoint.
- To maintain objectivity and achieve transparency, the matters relating to the nomination of Directors / Audit & Supervisory Board Members and the remuneration amounts for Directors are deliberated at a voluntary Advisory Committee of which a majority is outside Directors before decision is made.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	To allow shareholders time to carefully consider proposed resolutions, the Company sends out its shareholder meeting notifications early (about four weeks in advance of the meeting). Before sending out convocation notices, the Company discloses them on the website of the Tokyo Stock Exchange, on the electronic voting platform for institutional investors operated by the ICJ, Inc., and on the Company's website.
Allowing Electronic Exercise of Voting Rights	The Company has adopted an electronic voting system in which voting rights can be exercised electronically over the Internet, etc.
Participation in Electronic Voting Platform	The Company participates in the electronic voting platform for institutional investors operated by the ICJ, Inc.
Providing Convocation Notice in English	The Company prepares English translations of its convocation notices (entire text), and before sending out the notices, the Company discloses them on the website of the Tokyo Stock Exchange, on the electronic voting platform for institutional investors operated by the ICJ, Inc., and on the Company's website.
Other	Convocation notices, resolution notices and extraordinary reports related to the exercise of voting rights (both in Japanese and English) are listed on the Company's website.

#### 2. IR Activities

	Supplementary Explanations	Briefing given by President
Preparation and Publication of Disclosure Policy	The Company's Disclosure Policy has been prepared and can be accessed on the Company's website ( <a href="https://www.daigasgroup.com/en/ir/disclosure-policy/">https://www.daigasgroup.com/en/ir/disclosure-policy/</a> ).	-
Regular Investor Briefings for Individual Investors	Briefings for individual investors are held as a part of the events sponsored by securities companies, such as equities investment seminars.	No
Regular Investor Briefings for Analysts and Institutional Investors	Briefings for analysts and institutional investors are held four times per year (quarterly). For two of the briefings (when announcing financial results for the second and fourth quarters), Representative Director and President provides explanations.	Yes
Posting of IR Materials on Website	Earnings results, financial information, business reports, securities reports, integrated reports, fact books, and other corporate data are accessible via the Internet ( <a href="https://www.daigasgroup.com/en/ir/">https://www.daigasgroup.com/en/ir/</a> ).	-
Establishment of Department and/or Manager in Charge of IR	<ul style="list-style-type: none"> <li>● Department in charge of IR: Corporate Strategy Department, Corporate Planning Headquarters</li> <li>● Officer in charge of IR: Takeshi Matsui (Representative Director, Executive Vice-President, President of Corporate Planning Headquarters)</li> <li>● IR Liaison Officer: Hiroki Matsui (IR General Manager, Corporate Planning Headquarters)</li> </ul>	-
Other	Regular briefing sessions are not held for overseas investors, but Representative Directors hold individual meetings with overseas investors to explain corporate strategies, etc.	Yes



### 3. Status of Measures to Ensure Due Respect for Stakeholders (Updated)

#### Supplementary Explanation

##### Stipulation of Internal Rules for Respecting the Position of Stakeholders

In order to contribute to the sustainable growth of our society with the business partners in its domestic and overseas supply chain, the Group has formulated its “Daigas Group Corporate Principles,” the “Daigas Group Charter of Business Conduct” and “Daigas Group Code of Business Conduct” to improve the level of sustainability activities of the entire Group through communication with stakeholders.

##### (1) Daigas Group Corporate Principles

The Group gives top priority to creating value for customers by placing the Company’s motto “Service comes first” as the core belief behind its business activities and by striving to become useful in enhancing the lives and businesses of its customers. The Group pursues “Creation of Four Values” in which it endeavors to create value for its customers and thereby build social value, shareholder value, and value for its employees. (Please refer to the Company’s home page for details:

<https://www.daigasgroup.com/en/about/philosophy/>)

##### (2) Daigas Group Charter of Business Conduct

Through its business activities, the Group aims to achieve sustainable economic growth and solve social issues together with its customers, society, shareholders, and employees.

In order to fulfill its stakeholders’ expectations, to fulfill its corporate social responsibility, and for the Group to seek sustainable growth, the Group has established the “Daigas Group Charter of Business Conduct.”

(\* Effective April 1, 2021, the “Daigas Group CSR Charter” has been reformulated as the “Daigas Group Charter of Business Conduct.”

(Please refer to the Group’s home page at

<https://www.daigasgroup.com/en/sustainability/management/principle.html>)

##### (3) Daigas Group Code of Business Conduct

The Group believes that implementing thorough compliance is the most important element of fulfilling its “corporate social responsibility,” and has thus formulated the Daigas Group Code of Business Conduct (the “Code”) as a standard for all Group companies on the conduct that the Group’s Officers and employees must exhibit. The Code is to be used as a basic template when the Group companies create rules. By conducting our business activities based on the Daigas Group Charter of Business Conduct and the Code, we will fulfill our social responsibilities, be recognized by our customers and society as an indispensable and respectable company, and continue to be a company where each of us can realize our dreams and work with pride. Since the world moves very fast, even if matters not stipulated in these standards arise, we clearly state that we will consider the background and spirit of the Daigas Group Charter of Business Conduct and the Code and take appropriate actions in accordance with them. The Code has also been revised to reflect the principles of global guidelines such as the UN Global Compact and ISO 26000. In addition, in April 2021, the Environmental Activities Policy was integrated into this Code, and content related to contribution to climate change countermeasures and anti-corruption was added.

(Please refer the Company website: <https://www.daigasgroup.com/en/sustainability/management/code.html>)

Reference: The Essence of the Daigas Group Code of Business Conduct

- a. We will achieve a workplace where human rights are respected, and employees can work in comfort and with peace of mind.
- b. We will conduct business activities with legal compliance and decency.
- c. In conducting global business activities, we will comply with all local laws and regulations, and will respect international norms including those concerning human rights.
- d. We will properly consider the global environment in all of our actions.
- e. We will conduct fair business transactions and competitions.
- f. We will provide safe and high-quality products and services at reasonable prices, with the aim of enhancing customer satisfaction.
- g. We will act modestly and sensibly in our relationships with those with whom we do business.
- h. We will appropriately handle and disclose information with proper recognition of its value and importance.

i. We will prohibit any association with anti-social forces.

j. We will make appropriate tax payments and properly handle our financial accounts.

The ethos of the above-mentioned Corporate Principles, Charter of Business Conduct, and Code of Business Conduct is incorporated into the policies and rules of every aspect of the Group's business procedures and strictly enforced.

#### Implementation of Environmental Preservation Activities, CSR Activities, etc.

<Implementation of management taking ESG aspects into account>

The Group aims to become a corporate group that powers continuous advancement in customers' lives and businesses and reflect awareness of social impact throughout Group's value chain into its business activities. The Group has established the ESG Council and the ESG Committee to govern the Group's sustainability activities to perform appropriate and active activities. The ESG Council, consisting of Executive Officers, deliberates sustainability plans and sustainability activity reports under the supervision of the President of the Company, while the ESG Committee chaired by the Head of ESG Promotion, who is the Officer in charge of overseeing the promotion of the sustainability management of the Group, consisting of the heads of business units, etc., coordinates and advances Group-wide sustainability activities. The management bodies also have opportunities for dialogue with internal and external stakeholders from time to time depending on the topic to enable flexible and appropriate responses to the demands of society.

(Sustainability Promotion System: <https://www.daigasgroup.com/en/sustainability/management/system.html>)

The Group is promoting its sustainability activities based on the Charter of Business Conduct, establishing policies, structures, and indicators. The Group identifies activities that are important for stakeholders and the Company (materiality) in reference to the international sustainability reporting guidelines issued by the Global Reporting Initiative (GRI) etc., and manages the progress of efforts on the basis of important indicators (materiality indicators). In the formulation of the Medium-Term Management Plan 2023, we have re-selected materiality and set medium- to long-term indicators in order to accelerate the promotion of ESG management of the Group more than ever.

In 2022, we published the Daigas Group Integrated Report 2022 in order to provide our stakeholders with a better understanding of our activities. At the same time, we disclose comprehensive information on our sustainability activities on our Sustainability website. We also engaged in dialogue and collaboration with stakeholders, including institutional investors and analysts, and reported on the results of our activities in the report.

(The Group's Sustainability site: <https://www.daigasgroup.com/en/sustainability/>)

(The Group's integrated report: <https://www.daigasgroup.com/en/ir/library/ar/>)

Major activities are as follows.

Overall: Disclosure of information referencing international guidelines

- The value creation process and the Group's business and capital strengths are disclosed in the integrated report and sustainability website.

Addressing the SDGs

- Co-create Value for a Sustainable Future - Initiatives to Achieve Carbon Neutrality

Initiatives based on the Charter of Business Conduct

CSR Charter I

- Stable Procurement; Safety Measures at LNG Terminals; Safety Measures During Supply; Development of a Wide-area Gas Pipeline Network; Emergency Response System and Anti-disaster Measures; Products and Services Ensure Safe Use by Customers; and Incorporating Customer Opinions

CSR Charter II

- Environmental Management; Actions for Climate Change: Recognition of and Action on Risks and Opportunities; Method to Evaluate Effects of CO2 Emissions Reduction; Working to Reduce CO2 Emissions; Efforts in Resource Recycling; Addressing Environmental Risks; Green Purchasing; Developing Environmental Technologies; and Conserving Biodiversity.

CSR Charter III

- Corporate Volunteering Activities under the “Small Light Campaign”; Collaboration with government, social entrepreneurs, and NPOs to solve social issues; Contribution to Kansai culture; and Support for activities of the educational community, the next generation, and parents through education on food, fire and disaster prevention.

#### CSR Charter IV

- Status of Management regarding Respect for Human Rights; and Education and Training for Human Rights Awareness

#### CSR Charter V

- Improving Compliance Awareness; Compliance Desk (whistle-blowing contacts); Promotion of Global Compliance; and Efforts for Protection of Personal Information.

#### CSR Charter VI

- Acceptance of Diversity; Balancing Work and Family; Human Resource Development and Rewards; Improving Occupational Health and Safety; and Maintaining and Improving Health.

Details on stakeholders engagement efforts through volunteer activities, educational activities on nutrition and local development via sports, efforts to improve customer satisfaction, safety and disaster prevention, and information on technical development are disclosed on the Group’s various websites.

(The Group’s Approach/Activities: <https://www.osakagas.co.jp/company/efforts/index.html>)

### Formulation of Policies on Providing Information to Stakeholders

The Daigas Group Code of Business Conduct includes a provision concerning information disclosure, stating that the Group must work toward disclosing information in an appropriate and timely manner and that the Group must promote communication with society at large. “Rules for Information Disclosure” was formulated based on this article in the Code of Business Conduct and specify the organizations responsible for information disclosure, and requires improved transparency as well as active disclosure of information that must be disclosed.

Information that must be announced in a timely manner is accordingly disclosed via press release, while quarterly and annual reports are disclosed as booklets or on the Group’s website.

The reports of the Group’s sustainability activities – created in reference to the international sustainability reporting guidelines (GRI) and the Environmental Reporting Guidelines (Ministry of the Environment), etc.– are disclosed on the website as well.

### Other

#### (1) Promotion of Diversity

To strive for improved corporate value, the Group’s corporate and organizational structures are made up of members with diverse attributes such as gender, age, disability status, and nationality. The Group understands the indispensability of promoting diversity to build an environment where open and easy discourse is possible, and has established the Daigas Group Diversity Promotion Policy. We hope that each company of the Group will provide our employees with rewarding workplace where everyone is respected and free of discrimination and prejudice.

#### (2) Daigas Group Diversity Promotion Policy

##### Principle on Diversity

The Group is committed to promoting diversity, equal opportunity and inclusion in the organization in order to be a corporate group with diverse talent that continues creating new types of value.

- We aim to be a group of enterprises that provide a work environment that values uniqueness of each employee, tolerates no discrimination, acknowledges employee diversity including gender, age, physical disabilities, nationalities, form of employment, lifestyles, religions, sexual orientation, and gender identity.
- We provide support in realizing highly productive way of working and suitable work-life balance for each employee as a basis for them to pursue their career opportunities.

##### Targets and Sustainable Actions

The Group intends to implement its activities for supporting, among others, females, the elderly, the physically challenged, and foreign nationals. A consideration will be given to building work environment for employees

to achieve their higher career objectives. Minority workers should not be subjected to a disadvantage. The Company has positioned the advancement of women as the first step in promoting diversity, and have set the following goals by FY2031.3: the ratio of female executives and female directors will both be 20% or more, the ratio of female employees (\*) in newly promoted to the middle management positions shall be 30% or more, the ratio of women hired for career-track positions shall be maintained at 30% or more. As of June 2023, the ratio of female directors was 26.7%, the ratio of female board members was 20.0%, the ratio of women newly promoted to the middle managerial positions in FY2023.3 was 14.3%, and the ratio of women in the number of career track hires in FY2023.3 was 28.1%. The Company intends to implement these actions in a sustainable manner and report its performance.

The Company also actively recruits career workers, and in FY2023.3, 29 workers joined the Company as career hires (the ratio of career hires to full-time workers is 16.7%). Currently, mid-career hires account for about 5% of management positions. In addition, more than 30% of our group's overseas base companies have foreign personnel among their directors. Going forward, the Group will continue to assign the right people to the right positions, regardless of whether they are new graduates, mid-career hires, nationalities, etc., for executive and managerial positions.

(\*) The ratio of female employees among career-track employees promoted to managerial positions in the fiscal year.

### (3) Policy and Efforts Supporting Female Employees to Play Active Roles

Since implementing its childcare leave and eldercare leave system in 1992, the Company has been making efforts to create a better working environment which promotes a work-life balance for its employees even before the Act on Advancement of Measures to Support Raising Next-Generation Children was implemented. The levels at the Company exceed the legal requirements, and in recognition of its efforts the Company was recognized by the Minister of Labour in 2001 as a "Family Friendly Company". The Company has submitted an action plan since 2007 in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children, and the Minister of Health, Labour and Welfare has certified the Company as a company with "Kurumin Mark". With few female employees resigning due to childbirth or childrearing because of the Company's merit-based system and its initiatives to expand the work field for female employees, the average duration of employment for male and female employees in FY2023.3 are at 17.2 years and 20.1 years, respectively.

In 2010, the Company, with its six affiliates, endorsed and expressed their support for the objectives of the Women's Empowerment Principles (WEPs) and established the Diversity Promotion Team in the Human Resources Department in 2013. In March 2014, the Group has announced the Osaka Gas Group (Daigas Group) Diversity Promotion Policy. The Team has been working to diversify the workforce and progress advancement of women as a first step, raising awareness and promoting its "Smart Work" initiatives to create a work environment in which a diverse workforce can achieve success. In recent years, in particular, the Company has focused its efforts in multiple areas to achieve its female advancement goals, including the development of measures appropriate to the timing of job responsibilities and life events, the implementation of training for managers, and the promotion of male employees to take childcare leave. The Company's involvement in diversity issues have been recognized, as the Company was certified as the "Eruboshi certification (highest rank)" by Minister of Health, Labour and Welfare in FY2022.3. The Company was also selected as a "Nadeshiko Brand" in FY2022.3. (The Company has selected as the same for five consecutive years since FY2014.3, and selected as a "Semi-Nadeshiko Brand" in FY2021.3.)

### (4) Creating a Work Environment for the Disabled

#### 1) Hiring the disabled

The Company does all it can to hire disabled persons and creates a work environment conducive to the talents of each individual. As a result of these efforts, disabled persons accounted for 2.59% of our workforce as of June 2023, exceeding the legal minimum of 2.3%.

#### 2) Reemployment scheme

The Company has implemented a reemployment scheme to rehire employees who have reached mandatory retirement age, under which applicants are placed in jobs that match their skills and preferences. All the Group companies have similar reemployment schemes.

\*Of the 169 employees reaching retirement age in the FY2023.3, 135 are rehired (100% of applicants)

\*There were 1,640 senior workers at the Group in the FY2023.3 (employees 60 years of age or older in domestic consolidated companies)

(5) Human resource development policy and internal environment development policy to ensure diversity

1) Human Resource Development Policy

The Group aims to practice portfolio management based on the three pillars of “Domestic Energy Business,” “Overseas Energy Business,” and “Life & Business Solutions Business.” In order to secure the quality and quantity of personnel for these businesses and to maximize performance through the promotion of diverse human resources based on the right person in the right place, we will work to hire and train personnel who can flexibly respond to changes in the business environment and who have a high level of expertise.

In particular, we will secure human resources while expanding career recruitment, as the need for highly specialized human resources increases in order to realize our management strategies, such as efforts to achieve carbon neutrality, accelerate overseas energy business development, and transform through DX.

In addition, based on the recognition that sustainable organizational management is important for the achievement of future management strategies, we will work to secure personnel in a systematic manner and assign and appoint personnel with an awareness of human resource development.

2) Internal Environment Development Policy

The Group aims to achieve sustainable growth by supporting employees' autonomous career development through education, training, and self-development support, thereby increasing engagement and labor productivity.

We also believe that it is important to create discontinuous innovation in order to improve corporate value over the medium to long term, and we believe that the driving force for such innovation is the cross-fertilization of diverse individuals. To this end, we will promote diversity and equal opportunity and inclusion, and actively incorporate diversity in terms of experience, sensitivity, and values. We have provided active support for women, the elderly, people with disabilities, and non-Japanese, and we will take care to ensure that they are not disadvantaged because of their minority status, and we will develop an environment that allows them to further demonstrate their abilities.

(6) Daigas Group Health Management Declaration

The Group has always believed that safety and the maintenance and improvement of a healthy mind and body are the foundation of all of its operations, and has made efforts to treat and prevent illnesses among its employees. In today's age of 100-year life expectancy, we believe that good health throughout one's life is of great significance not only to employees but also to society. In March 2021, we issued the “Daigas Group Health Management Declaration,” summarizing our stance on health management (\*), which had been expressed in the “Daigas Group Corporate Philosophy,” “Daigas Group Charter of Corporate Behavior,” and “Daigas Group Code of Conduct.” In addition, we established the “Daigas Group Action Guidelines “Healthy 7” to promote healthy lifestyles.

In recognition of our efforts to date, we have been selected as one of the “Health Management Issues 2023” jointly implemented by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange. The “Health Management Issues” are companies practicing particularly excellent health management selected from among listed companies that consider the health management of their employees from a management perspective and are strategically engaged in it. This is a system to promote health management initiatives by companies through introducing such companies as attractive companies to investors who are focused on improvement of company value from long-term perspectives.

(\*) Health Management is a registered trademark of the NPO Kenko Kanri Kenkyukai.

Our policy, specific initiatives, and results regarding investment in human capital, including diversity, are disclosed in detail on our website.

(diversity: [https://www.daigasgroup.com/en/sustainability/management/diversity\\_policy.html](https://www.daigasgroup.com/en/sustainability/management/diversity_policy.html))

(Sustainability: <https://www.daigasgroup.com/en/sustainability/>)

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development (Updated)

#### (1) Description of Internal Control Systems

The Company establishes systems (internal control systems) to ensure that Directors of the Company execute the duties in compliance with the laws and regulations and the Articles of Incorporation and other systems necessary to ensure the properness of the Group's operations at meeting of the Board of Directors, and such systems are briefly described below.

#### (i) Systems to ensure that the execution of the duties complies with the laws and regulations and the Articles of Incorporation

- a. Directors and employees of the Group shall sufficiently acquire and investigate information as the basis to execute the duties and through accurate understanding of the facts, make reasonable decisions in accordance with regulations on responsibilities and authorities.
- b. For the Board of Directors to make appropriate decisions and enhance its supervisory role, executive Directors shall retain independent outside Officers. In addition, the executive officer system shall be adopted to enhance the Board of Directors' supervisory role and ensure efficiency in the execution of duties.
- c. Executive Directors shall hold Management Meetings to provide information to the President and the Board of Directors to assist in the decision-making process and discuss strategies and important matters concerning its management of the business.
- d. Executive Directors shall establish the "Daigas Group Code of Business Conduct" based on "Daigas Group Charter of Business Conduct." By familiarizing the directors and employees with the Code, executive Directors shall not only ensure the performance of duties in compliance with applicable laws and regulations and the Articles of Incorporation within the Group but also promote business activities in a fair and appropriate manner, which includes contributing to the preservation of the environment, promoting social contribution activities and dissociating from antisocial forces.
- e. Executive Directors shall make efforts to understand the status concerning compliance within the Group and promote compliance practices by establishing a consulting and reporting system as an internal reporting system and an ESG Committee.
- f. If any problems are discovered regarding compliance, Directors and employees of the Group are required to consult with or report to an executive Director or other superior, or report the matter via the consulting and reporting system depending on the level of seriousness or urgency. Executive Directors, General Manager of General Affairs Department or other superiors shall investigate details of such matter and take necessary remedial measures.

#### (ii) System concerning the maintenance and the management of information on execution of duties

- a. Executive Directors and employees of the Group shall prepare minutes of the meetings of the Board of Directors, approval documents or other similar documents specifying matters including matters affecting decisions and the process by which a decision was reached, in accordance with regulations on responsibilities and authorities.
- b. Executive Directors and employees of the Group shall properly store and manage the minutes of the meetings of the Board of Directors, approval documents or other information on execution of duties according to the nature thereof.

#### (iii) Regulations and other systems to manage the risk of losses

- a. Executive Directors of the Group shall take all possible steps to ensure the safety and stability of gas supplies in gas businesses by establishing safety regulations on matters concerning the construction, maintenance and operation of production and supply facilities, and by promoting the improvement of the production and supply systems.
- b. Executive Directors of the Group and organizational heads of the Company (managers of basic organizations of the Company) shall take measures to prevent the occurrence of risks and minimize losses in the case of occurrence, and manage the risk of losses for each category of risk (risks due to external factors, internal factors, transactions with outside parties or other factors).
- c. The risk of losses shall be managed at the level of each basic organization and each affiliate, and the head of each level shall manage the risk of loss and periodically conduct activities to confirm its effectiveness.
- d. The emergencies that might have a material impact on the management of the Group shall be addressed according to the regulations on disaster or accident countermeasures and business continuity plans.



(iv) Systems to ensure the efficient execution of duties

a. Executive Directors of the Group and organizational heads of the Company shall determine matters concerning the division of duties and decision-making within the Company and the Group in accordance with regulations on responsibilities and authorities. They shall also provide regulations regarding details of organizations and general matters to be observed during the execution of duties. By familiarizing employees with such regulations, they shall ensure the smooth management of organizations and the improvement of quality and efficiency of operations.

b. With the aim of maximizing corporate value, executive Directors of the Group and organizational heads of the Company shall establish medium-term business plans and annual plans for the Company and the Group, monitor its attainment by means of performance indicators and focus on achieving these plans.

(v) Other systems to ensure the properness of business operations

In addition to the above, executive Directors shall take the following measures and make efforts to ensure proper operations.

a. Companies to play a central role in each business area of the Group (Core Non-Energy Business Company, Network Company and Overseas Regional Headquarters) or basic organizations to supervise affiliates (management support organizations) shall be designated to be responsible for day-to-day management of affiliates.

b. Compliance with applicable laws and regulations and the Articles of Incorporation, the efficiency and other similar matters of the Group as a whole shall be audited internally by the Head of the Auditing Department of the Company. If necessary in light of the results of such audit, remedial measures shall be taken promptly.

c. Internal control procedures shall be maintained, operated and evaluated in relation to financial reporting to ensure its credibility.

(vi) Matters concerning employees assisting Audit & Supervisory Board Members in the performance of their duties

a. Executive Directors, if requested by the Audit & Supervisory Board Members, shall appoint employees to assist the Audit & Supervisory Board Members in the performance of their duties and establish an office of Audit & Supervisory Board staffed by these Audit & Supervisory Board Members' assistants.

b. Audit & Supervisory Board Members' assistants shall be engaged solely in assisting the Audit & Supervisory Board Members in the performance of their duties.

(vii) Matters concerning independence of Audit & Supervisory Board Members' assistants from Directors

a. Executive Directors cannot direct or give orders to Audit & Supervisory Board Members' assistants except where such directions or orders apply equally to all employees.

b. The opinions of the Audit & Supervisory Board Members regarding the evaluation, transfer, etc., of Audit & Supervisory Board Members' assistants shall be sought in advance and respected.

(viii) Systems for reporting to the Audit & Supervisory Board Members

a. Directors shall report immediately to the Audit & Supervisory Board Members if a matter that is significantly detrimental to the Company is discovered.

b. Directors and employees of the Group or auditors of the affiliates shall report to the Audit & Supervisory Board Members without delay matters that have a material impact on the business of the Group, the results of internal audits, the situation regarding the main reports under the consulting and reporting system and other important matters.

c. Directors of the Group and employees of the Company shall report without delay when requested by the Audit & Supervisory Board Members to report on matters concerning the execution of duties.

d. Executive Directors and other supervisors of the Group shall not disadvantageously treat any person who reports to the Audit & Supervisory Board Members according to the preceding items for the reason that such report was made.

(ix) Other systems to ensure effective auditing by the Audit & Supervisory Board Members

a. The Audit & Supervisory Board Members may exchange opinions periodically with the Representative Directors and the accounting auditor.

b. The Audit & Supervisory Board Members may attend Management Meetings and all company committee meetings. They may investigate as appropriate material information concerning the execution of duties, such as approval documents.

c. Executive Directors shall ensure the Company provides the expenses or liabilities necessary for the execution of the duties of the Audit & Supervisory Board Members.

(x) Confirmation of operation status, etc.

a. Executive Directors shall periodically confirm and assess the status of the operation of the internal control system and report the results to the Board of Directors.

b. Executive Directors shall take necessary measures by taking into consideration the assessment results of internal control system and other situations.

(2) Operating Status of the Internal Control Systems

The Company confirms the operating status of the internal control systems on a periodic basis by identifying items to confirm for various matters and receiving reports from the organizational heads and other persons concerned. At the meeting of the Board of Directors held on April 26, 2023, it was reported that the internal control systems were operating in a proper manner.

The operating status of the internal control systems during FY2023.3 is described in the following.

1) Matters concerning compliance, etc.

The ESG Committee promotes initiatives in each sector, including sustainability activities, through the “Compliance and Risk Management Subcommittee,” “Environment Subcommittee,” and “Social Contribution Subcommittee.”

With the movement towards decarbonization gaining pace globally in response to the issue of climate change, the Company formulated and announced Energy Transition 2030 in March 2023, integrating an overall roadmap for the transition to low carbon and carbon neutral energy, as well as the Group’s specific initiatives and the solutions it can provide for customers.

Educational materials, including a guide to the “Daigas Group Code of Business Conduct,” are posted on the intranet at all times to familiarize Directors and employees of the Group with said Code to promote and ensure its understanding.

The consultation and reporting system has been revised in light of the Partial Amendment of the Whistleblower Protection Act (Act No. 51, 2020), which came into effect in June 2022. Effective April 1, 2022, the number of affiliated companies with whistleblower hotlines was expanded, and measures have been taken to ensure the independence of whistleblowing processes involving management. During the fiscal year under review, the Company is implementing measures to improve the operational quality of whistleblower hotlines at affiliated companies.

On May 10, 2023, CD Energy Direct, Inc. (our stake of 50%) received an order from the Consumer Affairs Agency to suspend its door-to-door sales operations (for six months) based on the Act on Specified Commercial Transactions, for some inappropriate business practices in door-to-door sales by a subcontractor. In order to prevent recurrence, the company is reviewing its compliance system and strengthening supervision and education of its contractors.

2) Matters concerning risk management, etc.

Organizational heads of the Company and presidents of the affiliated companies promote the management of the risk of losses and periodically conduct risk management assessments. Each basic organization or affiliated company 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 affiliated company to ensure risk management on a Group-wide basis.

With the legal separation of our gas pipeline division, effective April 1, 2022, we established a Security and Disaster Prevention Committee to coordinate and promote cross-organizational measures related to safety and disaster prevention within the Group, and are taking all possible measures to ensure safety and disaster prevention after the legal separation. We also implemented internal investigations to confirm the status of measures to block the transfer of information between the Network Company and the Company and its affiliated companies, which are gas retailers, and the status of information management.

To prepare for emergencies, regulations for disaster countermeasure and business continuity plans are prepared. We also carry out company-wide disaster-prevention drills, which consist of earthquake drills and BCP exercises. During the fiscal year under review, in addition to drills assuming disasters occurred amid an



epidemic, we also implemented emergency coordination training and drills, including the use of remote communications, to ensure coordination between the Network Company and gas retailers. The Cyber Security Committee has been established to further strengthen measures against attacks from outside the Group's network such as by carrying out periodic inspections and following up on the Group's security.

3) Matters concerning the management of businesses in the Group

The affiliates to be managed by the Core Non-Energy Business Companies, the Network Company, the Overseas Regional Headquarters, or the management support organizations are designated and their managerial tasks are monitored by receiving reports on important issues from the affiliates. In addition, day-to-day management of those affiliates is performed by using the G-RIMS and/or conducting audits. The Company's Auditing Department, which conducts internal audits, implements planned internal audits of the Company's organizations and the affiliates and provides follow-up audits after a certain period of time.

4) Matters concerning the effectiveness of audits by Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Members have periodic exchanges of opinion with the Director and Chairman, the Representative Director and President and the accounting auditor, in which outside Audit & Supervisory Board Members also participate as necessary. Partly through the opportunity to exchange opinions with the accounting auditor, Audit & Supervisory Board Members evaluate the qualifications, expertise and independence of the accounting auditor.

Full-time Audit & Supervisory Board Members attend important meetings such as the Management Meeting, the ESG Council, the Investment Evaluation Committee, etc., and read approval documents and other important documents. Through a Board of Directors' resolution on the internal control systems, they also clarify important matters to be reported to Audit & Supervisory Board Members and disseminate information thereof.

Five assistants to Audit & Supervisory Board Members are in place to engage solely in assisting Audit & Supervisory Board Members in the performance of their duties.

## 2. Basic Views on Eliminating Anti-Social Forces

The Company sets forth a principle in its Daigas Group Code of Business Conduct that any business transaction with or supply of profits to anti-social forces, for any reason, is unjustifiable and absolutely forbidden and shall cause the Officers and employees to comply with such principle by making them thoroughly aware each year on a regular basis. The following is a list of those measures' structures implemented.

- The General Affairs Department is responsible as the supervisory department, and a person in charge of preventing undue claims is appointed in every relevant organization.
- Preparing for emergencies, the Company cooperates with outside agencies specializing in anti-social forces (including police departments) and engages in information exchange.
- Information regarding anti-social forces are collected and appropriately shared within the Company.
- The Company is appropriately implementing awareness-raising efforts including preparing manuals and conducting in-house training.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation
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### 2. Other Matters Concerning Corporate Governance System

Following is an outline of the Company's structure for timely information disclosure.

(1) Basic Policy on Disclosure of Corporate Information

The Group's Corporate Principles calls for the Company to work toward achieving fairness and transparency in its business activities and to improve its system for disclosing corporate information.

(2) Increasing Awareness and Enforcing Rules on Handling and Disclosing Information

The Company has established information handling and disclosure standards which the Group's Directors and employees must follow. Also, internal rules are in place for handling important business information related to insider trading regulations. The Company moreover has internal rules regarding information management and disclosure, and is working to strictly manage and make timely and appropriate disclosure of information concerning the Company's business, operations, and performance which may have a material effect on equities investment decisions.

(3) Comprehending and Managing Corporate Information

Each head of the organizational unit (for an affiliate, its representative) appropriately comprehends and manages corporate information. The status of information management is inspected regularly by each organizational head (for an affiliate, its representative).

(4) Disclosure of Corporate Information

The head of each organizational unit (for an affiliate, the Officer in charge of the business support organization, the President of Core Non-Energy Business Company Group to which the affiliate belongs, the President of Gas Pipeline Business Company, the President of Core Energy Business Company, or the President of Overseas Regional Headquarters) that manages corporate information shall make decisions on disclosing information by considering the safety and interests of customers, vendors, employees, interests of shareholders, and social demands for disclosure and after consulting with the Head of the Corporate Communications Department. Regarding important information of the corporate information, disclosure decisions shall be made by the Director, head of each headquarter and business unit responsible for the organizations (for an affiliate, the Officer, head of each headquarter and business unit in charge of business support organization, the President of Core Non-Energy Business Company Group to which the affiliate belongs or the President of Gas Pipeline Business Company). For especially important information including resolutions of the Board of Directors, the President/Representative Director of the Company shall make the decisions on disclosure.

(5) Voluntary Audits Examining the Status of Corporate Information Disclosure

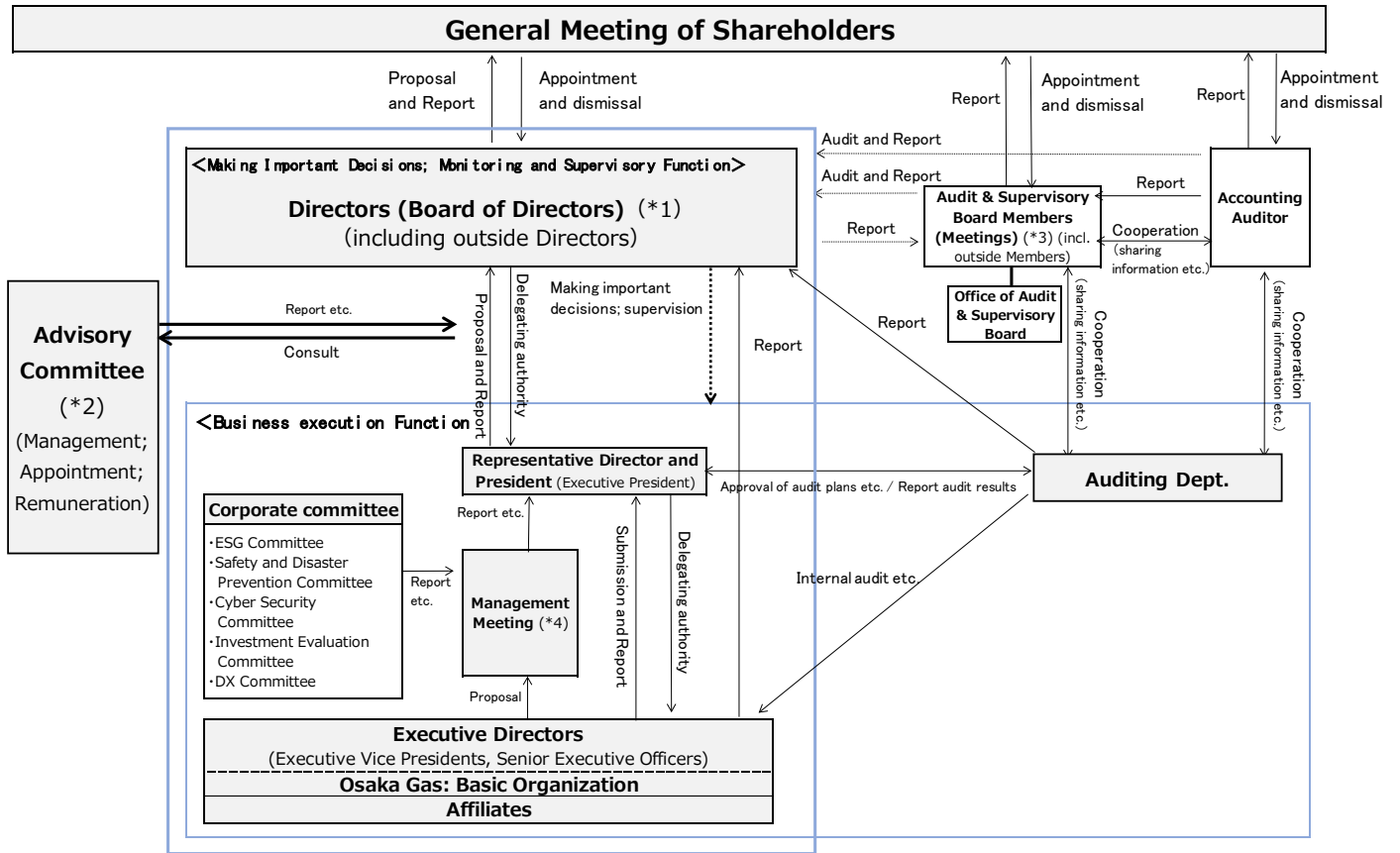
The heads of organizational units who manage corporate information (for an affiliate, the head of the business support organization, the President of the Core Non-Energy Business Company Group to which the affiliate belongs, the President of Gas Pipeline Business Company, the President of Core Energy Business Company, or the President of Overseas Regional Headquarters) conducts periodic evaluations and inspections on the status of information disclosure. The Head of the Corporate Communication Department, who is responsible for planning and promoting corporate information disclosure requests the heads concerned to report the results of the voluntary audits and requests that improvements be made based on the results.

(6) Basic Process for Timely Disclosure

The head of the relevant organizational unit (for an affiliate, the head of the business support organization, the President of Core Non-Energy Business Company Group to which the affiliate belongs, the President of Gas

Pipeline Business Company, the President of Core Energy Business Company, or the President of Overseas Regional Headquarters) discusses about corporate information which is subject to timely disclosure with the Head of the Corporate Communication Department, who is in charge of information handling, as needed. For corporate information required to be disclosed, the Head of the Corporate Communication Department issues a press release and simultaneously gives directions to the Head of the General Affairs Department to immediately notify the stock exchanges in Tokyo, where the Company's shares are listed.

### Corporate Governance System



(\*1) Board of Directors : 10 directors (6 internal directors and 4 outside directors)  
 (\*2) Advisory Committee : 4 outside directors, Representative Director and President and persons appointed by the President (up to one member who is a Representative Director)  
 (\*3) Audit & Supervisory Board: 5 Audit & Supervisory Board Members (2 full-time Audit & Supervisory Board Members (internal) and 3 outside Audit & Supervisory Board Members)  
 (\*4) Management Meeting: 1 Executive President, 3 Executive Vice Presidents and 7 Senior Executive Officers