

Message from the President



Creating Value for a Sustainable Future

We strive to create value for a sustainable future with our stakeholders and achieve further growth.

Medium-Term Management Plan 2023 "Creating Value for a Sustainable Future"

In March 2017, we announced the Daigas Group Long-Term Management Vision 2030. Under the Vision, we have been working to diversify the Group's business portfolio while creating a foundation for sustainable growth in order to adapt to a rapidly changing environment. Amid this process, we have started to see a global paradigm shift in recent years caused by escalation of business environmental changes, which affect the sustainability of society as demonstrated by the COVID-19 pandemic and large-scale natural disasters due to climate change.

To this day, we have worked with a strong sense of mission in our business activities to support lifestyles and society through the stable supply of energy in any situation, even in these times of change. Going forward, we must speedily adapt to changing times by enhancing the resilience of customers and society, realizing a low carbon / carbon neutral society, and responding to new lifestyles. We must also take on challenges to resolve social issues both within and outside Japan, and create new social and economic value.

Based on such awareness, in March 2021, we announced the Daigas Group Medium-Term Management Plan 2023: Creating Value for a Sustainable Future as a way to clarify what we aim to be and to indicate what roles we will play in resolving new social issues. Under this Plan, we are committed to realizing a sustainable society by resolving social issues, and evolving into an innovative energy and service company that continues to be the first choice of customers.

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Masataka Fujiwara
Representative Director and President

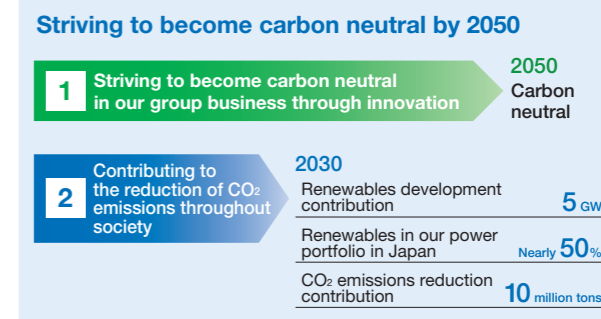
Creating Value for a Sustainable Future with Our Stakeholders

In the Medium-Term Management Plan 2023, we define value for a sustainable future as a set of three types of value that we aim to create, which are achieving a low carbon / carbon neutral society, establishing lifestyles and businesses adjusted to the new normal, and enhancing resilience of customers and society, for solving social issues. We focus our efforts on creating this value for a sustainable future with our stakeholders by leveraging our strengths in solutions and innovation, to share the achievements with our stakeholders. This spirit is described as "Creating Value for a Sustainable Future," as the subtitle of the Medium-Term Management Plan.



1. Achieving a Low Carbon / Carbon Neutral Society

The first element of value for a sustainable future is achieving a low carbon / carbon neutral society. Under the Daigas Group Carbon Neutral Vision, we will seek out possibilities for the use of hydrogen while continuing to work on the expanded use and advanced utilization of natural gas, a greener energy source than other fossil fuels. As part of this initiative, we will develop methanation*-related technologies to decarbonize city gas and increase the share of renewables in our power generation portfolio to decarbonize power sources, in order to achieve our carbon neutral goal by 2050.



In the meantime, since it will take some time to establish carbon-free technologies, we need to accelerate our efforts to contribute to CO₂ emissions reduction. We are striving to reduce as much CO₂ emissions as possible to meet the three targets that we set forth as the milestones for 2030: 5 GW of renewables development contribution, nearly 50% of our power portfolio in Japan consisting of renewables, and 10 million tons per year of CO₂ emissions reduction contribution.

*Methanation technology
Technology that uses hydrogen (H₂) and carbon dioxide (CO₂) to generate methane (CH₄).

2. Establishing Lifestyles and Businesses Adjusted to the New Normal

The second element of value for a sustainable future is establishing lifestyles and businesses adjusted to the new normal. The COVID-19 pandemic has been significantly changing people's lifestyles and ways of work, as well as companies' business models. We expect, as these changes will gradually become commonplace as the new normal, there will be increasing needs for new value that accommodates this new environment. And this can be only achieved by deeply understanding what customers really need for their lives and businesses in facing the unprecedented changes. Through greater co-creation than ever before, we will provide customized solutions that meet the specific needs of customers, while vigorously working to develop new solutions and services utilizing various resources such as digital technologies.

Through this initiative, we aim to quickly achieve our goal of 10 million customer accounts through new approaches to B to C and B to B customers not only in the Kansai region but other key markets in Japan and overseas.

3. Enhancing Resilience of Customers and Society

The third element of value for a sustainable future is enhancing resilience of customers and society. Through our experiences in restoration and rebuilding after disasters such as the Great Hanshin Earthquake, the Great East Japan Earthquake, and the North Osaka Earthquake, we have tirelessly pursued efforts to enhance resilience of customers and society. We believe that the energy resilience will further grow in importance not only in Japan but also in other countries from the viewpoint of responding to climate change and providing stable energy. We will further enhance energy resilience by improving the stability and safety of the natural gas supply chain. We will also secure emergency electricity supply for large-scale power outages due to natural disasters and contribute to the power system stability with the combination of renewables and distributed power sources.

In the meantime, we will work to prevent the failures of appliances and facilities and improve the quality of maintenance services by utilizing the IoT technologies for customers' higher sense of safety and peace of mind. These measures will not be limited to Japan, but are planned to be widely expanded into other countries such as those in Asia.

Evolve Our Corporate Group

As we create value for a sustainable future as a higher level of value, we must also keep growing and developing at the same time to evolve our corporate group. We will boost the Daigas Group's earning capabilities while strengthening its management foundation to be able to flexibly adapt to changes, through the following three key initiatives.

1. Enhancing Business Portfolio Management

First is enhancing business portfolio management. In order to evolve our corporate group, each business unit must not only seek to grow profits, but also improve capital efficiency to ultimately strengthen the business portfolio of the overall Daigas Group. From this viewpoint of securing financial soundness, we have introduced ROIC as a new management indicator to improve the control of each Group business operation with more focus on their balance sheets. Under the Medium-Term Management Plan 2023, we aim to achieve an ROIC of about 5% while raising cash flows from operating activities to 1.5 times the average of the most recent three years, and provide shareholder returns when we achieve the profit growth.

2. Promoting Business Transformation with DX

Second is promoting business transformation with DX. We promote digital transformation (DX) to improve productivity by strengthening internal data management and reforming operational processes and to enhance our solutions to create and provide innovative customer services. In particular, we focus on building stronger connections with customers through DX and business reforms in all operations in order to achieve business model transformation and innovations.

To that end, we have launched a DX Promotion Office in the Corporate Strategy Department and a DX Committee as a companywide committee in April 2021 for implementing effective and swift digital transformation under the leadership of top management.



3. Maximizing Value for Each Employee

Third is maximizing value for each employee. Employees are the source of corporate value creation and the driving force behind growth. We are committed to maximizing the value for each employee, which will raise the comprehensive strength of the Daigas Group. We support safe and flexible ways of work through policies that allow employees to choose where they work and how they work, and promote diversity and inclusion throughout the Daigas Group as a basis for employees to pursue their individual career opportunities. We also focus on creating an

organizational and corporate culture that encourages employees to take on challenges for resolving social issues with a sense of stability at work. In the meantime, we aim to enhance employee engagement in areas such as corporate loyalty and desire to contribute.

In March 2021, we announced the Declaration of Health and Productivity Management, which declares that the Daigas Group is committed to securing employees' safety, maintaining and enhancing their physical and mental health as the foundation for all operations. Under this declaration, we encourage all employees to maintain and improve their health, distributing a guideline to promote healthy lifestyles.

This concludes an overview of the Medium-Term Management Plan 2023. We will roll out these measures globally going beyond traditional frameworks and evolve into a corporate group that continues to be the first choice of customers, while further contributing to realizing a sustainable society.

Contribution to Achieving SDGs through Creating Value for a Sustainable Future

We will contribute to achieving the Sustainable Development Goals (SDGs) through our business activities to create value for a sustainable future. The activities include contributing to realizing a low carbon / carbon neutral society, building stable and highly resilient energy infrastructure, and promoting community development that is both environmentally and economically sound. We will pursue SDGs through alliances with other companies and partnerships with stakeholders.

Gaining Confidence of Stakeholders Through ESG Management

For the Daigas Group's continued sustainable growth, we must steadily promote ESG-conscious management and continue to gain the confidence of our stakeholders.

Since its founding, the Daigas Group has been practicing ESG-conscious management in various ways while working to provide products and services that accommodate the changes of the times, in order to be a corporate group that provides solutions to customers and society. In 2007, we announced our participation in the United Nations Global Compact, a first for a Japanese public utility enterprise, and we support the principles to be followed by companies as members of international community. In April 2021, when the new Medium-Term Management Plan was released, we revised the Daigas Group Charter of Business Conduct, which shows our universal corporate attitude, and announced the new Daigas Group Human Rights Policy amid a growing awareness of human rights on a global scale.

We are committed to strengthening our corporate governance by not only disclosing information in an appropriate manner but also thoroughly implementing fair business operations across the Daigas Group, further promoting diversity, and enhancing information security. Business execution and supervision have already been separated, and at least one-third of the Board of Directors is comprised of outside directors with the intent of further strengthening business execution functions and supervision functions.

Through implementing these ESG initiatives, we strive to gain the unwavering trust of our stakeholders and demonstrate the comprehensive strength of the Daigas Group, taking on challenges to realize sustainable growth.

September 2021

Daigas Group's Contribution to SDGs

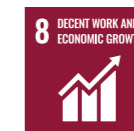
- We pursue an optimal energy mix.
- We raise the proportion of renewables in our energy portfolio.



- We build a high-quality and resilient energy infrastructure for stable energy supply.



- We provide a work environment where female employees can perform at their full potential and pursue their careers.



- We strive to create employment, provide rewarding jobs, and build a work environment where employees' health and safety are protected.



Becoming Carbon Neutral by 2050



- We promote the efficient utilization of resources.
- We provide people with information and proposals on solutions using sustainable energy.



- We promote urban development for a sustainable society where people can lead safe and comfortable lives.

- We support productivity enhancement and economic growth by providing various services and creating new value through innovation.

