

Materiality Identification Process

In formulating the Medium-Term Management Plan 2023 (Plan 2023), the Daigas Group newly identified important aspects (materiality).

Regarding the identification of materiality, we held numerous discussions with organizations in the Group and extracted the items of "impacts on society and the environment" over the medium- to long-term in view of changes in the business environment and social trends related to sustainability, and then identified the items of "future financial impacts on the group."

After considering the impacts of each item, we received opinions from external experts regarding "impacts on society and the environment."

The materiality items identified are approved by the Board of Directors alongside the Plan 2023 after discussions at the ESG Committee and the ESG Council. Each KPI will be reported annually while running a PDCA cycle in the future.

Materiality Identification Process

STEP 1

In terms of global risks, changes in the business environment, and contributions to the SDGs via business activities, we listed the items of "impacts on society and the environment" and "future financial impacts on the group" for the Daigas Group, using the GRI Standards, etc., as a reference.

STEP 2

For "future financial impacts on the group," we considered what we aim to be, issues, and risks for the fiscal year ending March 31, 2031 by each organization and business domain within the Daigas Group. For "impacts on society and the environment," we had deliberations by taking into account the opinions of external experts.

STEP 3

We considered the impacts of each item in both "impacts on society and the environment" and "future financial impacts on the group" in terms of risks and opportunities, scored the degree of significance, and identified materiality.

STEP 4

We have revised the Daigas Group Charter of Business Conduct and other documents based on the identified materiality. The materiality as indicators of efforts to embody the Charter and contribute to the realization of a sustainable society, along with the Medium-Term Management Plan, was presented to the Board of Directors and decided with the approval of the Board.

STEP 1

Analyzed the external environment in 2030 in areas such as economy, society, and the environment

STEP 2

Considered what we aim to be, issues, and risks for 2030 by each business domain

Considered "future financial impacts on the group"

In addition to the analysis in STEP 1, held interviews with external experts

Considered "impacts on society and the environment"

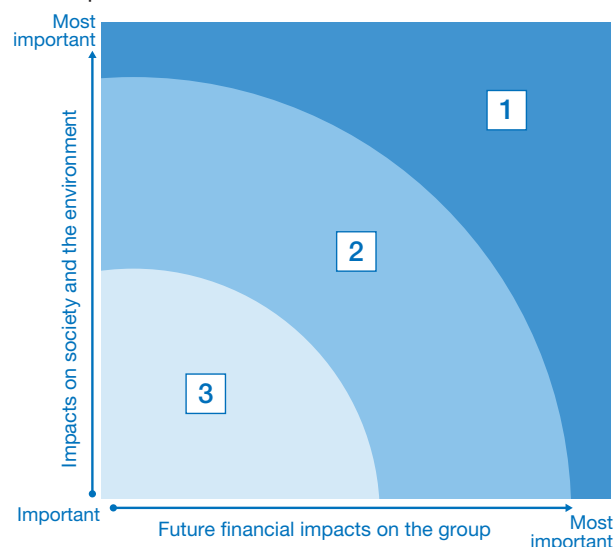
STEP 3

Identified materiality in view of the impacts of both

STEP 4

Approved and decided at the Board of Directors

Impact evaluation chart



1

- Climate change
- Customer health and safety
- Stable supply of services
- Maintain and expand customer base
- Coexistence with local community
- Improvement of customer satisfaction and quality of services
- Supply chain management
- Compliance
- Employee engagement
- Development of employee skills
- Diversity and inclusion

2

- Occupational health and safety
- Development of regional economies (in emerging markets)
- Provision of information to customers and consumers
- Pollution prevention and chemical materials
- Tax
- Ethical actions
- Securing employment
- Freedom of association and collective bargaining rights

3

- Recycling-oriented economy (use of raw materials)
- Political donation
- Biodiversity
- Appropriate use of water

Comment from External Expert

Identification of Materiality at the Daigas Group



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Representative Director
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The Daigas Group has been identifying materiality and setting KPIs by incorporating the views of external experts, managing progress through the PDCA cycle, and reporting details of this process. Throughout this process, the Group refers to the GRI Standards, a set of global guidelines for corporate sustainability reporting. The methods that the Group adopted to identify materiality and tie it to management policies could be described as "straightforward," and the Group can be considered to have steadily generated results through this process.

The Group's new materiality has been identified in the same process as above, but has made considerable progress in the following areas.

1. Introduction of double materiality approach

In addition to the GRI Standards, which the Daigas Group has used for some time, various standards related to the disclosure of sustainability information have been created from different perspectives in recent years. While these circumstances have contributed to a deeper understanding among stakeholders of the relationship between business and sustainability, they have caused significant confusion for companies actually disclosing information, because the definitions of materiality differ between different sets of standards. In such a context, the Daigas Group has become an early adopter of the double materiality approach that is expected to be adopted in European laws and regulations on sustainability reporting. The concept of the double materiality is to consider both the financial impact that sustainability has on companies (financial materiality) and the impact that companies have on social and environmental sustainability (social and environmental materiality). Financial materiality is of particular interest to investors, but social and environmental materiality is closely tied to social impact, including contribution to the SDGs. Accordingly, this

perspective is essential for the Daigas Group as a company that manages social infrastructure, and we can thus say that it is the proper way for the Company to think about information disclosure.

2. Assessment per business domain

The Daigas Group operates a wide variety of businesses apart from the gas business, but it is particularly notable that when assessing materiality, each business unit proactively participated in discussions and identified risks and issues after considering changes in the external environment in their respective businesses, with those risks and issues being subsequently reflected in the determination of materiality from a medium- to long-term perspective. Through this process for identifying materiality, it is likely that each business unit feels a clearer connection to materiality in their respective business activities. Additionally, the Group's materiality identification used to be based only on the GRI Standards for each of its themes, so, for example, there was no clear theme related to the "stable supply of service," an extremely important theme for the gas business. With the new process, the Group has overcome this issue, and as such, it can identify issues that are more closely related to its diverse range of businesses.

3. Link with Medium-Term Management Plan

Furthermore, I should note that the newly identified materiality will contribute to realizing the Daigas Group Charter of Business Conduct, the Group's basic principles, and the Group has also linked the concept of materiality to its Medium-Term Management Plan and its assessment of business performance for each business unit. As a result, it is clear that the materiality identified by the Daigas Group represents the issues it should prioritize in its businesses. Additionally, the fact that these measures were approved following discussion by the Board of Directors indicates that the process is correct in terms of conforming to Japan's Corporate Governance Code, which was revised this year.

From this perspective, the Daigas Group's newly identified materiality can be considered more appropriate for dialogue with stakeholders. In addition, I hope that the Daigas Group as a whole will accelerate its sustainability efforts by taking steady steps toward the KPIs including those set based on identified materiality, which will lead to significant results, such as contributions to the SDGs and greater recognition from investors.