



## Message from the President



**The Daigas Group continues to take on proactive challenges in various fields to earn our stakeholders' overwhelming support.**

FY2023.3 was a year of intensified change in the social and economic environments, where the international situation became increasingly unstable, the exchange rate experienced heightened volatility, and inflation continued during the COVID-19 pandemic persisting.

Faced with the accelerating trend of decarbonization and the growing importance of energy security, we recognize the significance of fulfilling our role required by society in contributing significantly to resolving long-term social issues, such as achieving carbon neutrality, while discharging our duties to ensure a stable energy supply.

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Masataka Fujiwara

Representative Director and  
President

### Resolving social issues at the core of our business since its inception

In recent years, companies' business activities have been increasingly scrutinized to see whether they contribute to resolving social issues, such as decarbonization to counter climate change. It has become clear that addressing those challenges to contribute to society is at the forefront of companies' purpose today.

At the Daigas Group, we have strived to resolve social issues through the energy business for over 100 years since the inception of Osaka Gas. One of the company's founding goals was to promote the wide usage of safe and economical gas lamps to replace oil lamps, major causes of fires in urban areas in the late nineteenth century. Our company's business is rooted in tackling social issues.

While achieving sustained growth by fulfilling our founding purpose of resolving social challenges, we have reshaped the Group and reinvented its businesses in response to changes in the times and the business environment, such as our business diversification in the 1980s, return to natural gas-focused business development in the 1990s, expansion into overseas markets and businesses from the 2000s, and competition in the fully deregulated energy markets from the late 2010s. Throughout our long history, the company has evolved and advanced to higher stages by building new portfolios. Our endeavor continues as we now face many different social issues, including those related to the environment, such as climate change, and those related to society, such as human rights and human capital.



Meanwhile, no matter what changes in the times and business situations we may face, we have always aimed at a goal as our unwavering anchor, which is what we aim to be in the Daigas Group Corporate Principles, “a corporate group that powers continuous advancement in customers’ lives and businesses.” Under this goal, we have strived to resolve social issues, with each and every one of us being mindful of being of service to customers and society, our commitment that drives and propels our activities. “Being of service” to customers is our Corporate Motto, “Service First,” that is, to devote ourselves to putting our customers first. Far and away, the most integral part of that is to practice Sangen Shugi, or the “Three Actuals Principle,” which places emphasis on *genba* (the actual site), *genbutsu* (the actual article), and *genjitsu* (the actual situations).

As a member of the Daigas Group, I have valued the spirit of Service First and Sangen Shugi, the importance of which I have recognized firsthand through my experience of intense competition with other energy players and close engagement with customers since I joined the company. “We are not supplying gas to customers; our customers are choosing to use our gas.” “To continue to be the first choice of customers, we must seek out our customers’ real issues and resolve them.” These values have remained unchanged from the past and at present and will continue into the future.

In resolving social issues, we always adhere to Service First based on Sangen Shugi. By

offering solutions that exceed the expectations of customers and society, we aim to power continuous advancement in customers’ lives and businesses and evolve the business portfolio of the Daigas Group.

## Intentions incorporated in the Medium-Term Management Plan CVS2023

In March 2021, we announced the Daigas Group Medium-Term Management Plan 2023 Creating Value for a Sustainable Future (CVS2023) amid business environment changes impacting society’s sustainability, such as the COVID-19 pandemic, the accelerating trend of decarbonization, and the growing severity of natural disasters.

In CVS2023, we define the Value for a Sustainable Future as the value we want to create for resolving social issues, focusing on three initiatives: 1. Achieving a low carbon/carbon neutral society, 2. Establishing lifestyles and businesses adjusted to the new normal, 3. Enhancing resilience of customers and society. We are proceeding with these actions to meet lofty targets set as milestones and working to create and share the Value for a Sustainable Future with our stakeholders by leveraging our strengths in developing solutions and innovations.

With uncertainty growing into the future, we aim to enhance business portfolio management to advance the business foundations we have built. By introducing ROIC (Return On Invested Capital) as a new management indicator, we will further strengthen

business portfolio management to achieve growth as a group of enterprises consisting of seven business units and continue evolving our corporate group.



## Highlights of the past two years in executing CVS2023

Over the past two years of the CVS2023 period, we stepped up our efforts to develop methanation technologies for producing and introducing e-methane\* and build its supply chains. Despite the increased volatility in energy procurement and sales due to growing global instability, such as Russia’s invasion of Ukraine, we have managed to maintain a stable energy supply to customers through close cooperation among our Group companies.

\*Synthetic methane produced from non-fossil fuel-based feedstocks, such as green hydrogen



In the Domestic Energy segment, the number of customer accounts, which is the fruit of our efforts, has reached 10 million, our target for 2030 in the Long-Term Management Vision. In addition, we have been expanding our business foundations through various measures; Starting the construction of the Himeji Natural Gas Power Plant: Introducing new services into the market, such as Sumai LINK, a life-service platform business for enhanced customers' daily lives, and D-Lineup, which assists commercial and industrial customers' emissions reduction and decarbonization: Entering the fixed-line telecommunications and other businesses in new domains. In the International Energy segment, Sabine Oil & Gas Corporation in the United States has been steadily increasing its shale gas production, growing into a pillar of revenue for the Daigas Group. In Life & Business Solutions (LBS) segment, the three core companies in the real estate, information, and materials fields have advanced their performances and expanded their business domains by leveraging their respective



strengths even in an unstable business environment.

While we succeeded in enhancing our business portfolio last year as described above, we experienced a major setback when the Freeport LNG, a natural gas liquefaction business in the United States, shut down its plant following a fire that broke out in June 2022. This incident at the Freeport LNG, where we participate as an equity holder and LNG off-taker, posed a serious threat to our LNG procurement amid the growing importance of energy security. We quickly acted to ensure a stable energy supply by seeking alternative sources and exploring other options to make up for the LNG shortfall caused by the plant shutdown. Taking this event as a lesson that a single accident could lead to considerable supply disruption and financial losses, we have been re-examining the risk management of our entire business to prevent similar incidents.

In addition, at the Sodegaura Biomass Power Plant, a fire broke out in a fuel storage silo in January 2023. This accident at the power plant, which an affiliate of Osaka Gas had built and was in the process of commissioning, occurred due to an issue regarding safety, a top priority for an infrastructure business operator. In the wake of this incident, we have been undertaking intensive and full inspections, besides daily checks, of our operations and maintenance in all our infrastructure businesses to make improvements. We have taken seriously to heart the great concern and inconvenience these accidents have caused our stakeholders, and we are determined to ensure no repeat of similar accidents.

This fiscal year is the final year of CVS2023, when we finish executing the current medium-term plan to achieve the targets and formulate our next medium-term management plan. While fulfilling our mission as an energy business operator to deliver a stable energy supply, we aim to bring our efforts to date to fruition and accelerate the growth and evolution of the Group to reach our targets for 2030, the year we plan to inject our first e-methane into the gas grid, and 2050, the year we aim to achieve carbon neutrality. As the top of the Daigas Group, I will steer the management through deliberations in the Board of Directors and Advisory Committees, balancing the weight between addressing immediate changes and taking on challenges for our future growth.

## ESG-focused management

In achieving the targets of CVS2023, it is vital to create and share value with our stakeholders. To maintain our stakeholders' confidence and execute our ESG-focused management steadily, we are building a resilient business foundation that will allow and encourage our members to continue taking on new challenges even amid growing uncertainty.

For the realization of the Daigas Group Corporate Principles, we have established the Daigas Group Charter of Business Conduct, which presents our corporate stance, and the Daigas Group Code of Business Conduct, which provides concrete standards of conduct for the Group's officers and employees to adhere to.



In 2007, we announced our participation in the United Nations Global Compact, which is a first for a Japanese public utility enterprise. We fully support the principles to be followed by companies as members of the international community.

As President, I have held meetings called “Mirai Open Talk” with the Group company employees as part of my workplace visit. In the session, I deliver my message in person from the perspective of the Corporate Principles and the Long-term Management Vision, emphasizing the importance of creating value for a sustainable future and resolving social issues. These meetings are invaluable opportunities for me to learn how our employees approach their daily work and address problems. In one of the Mirai Open Talks in FY2023.3, I held a session with our young employees, where I was deeply impressed by their efforts and serious attitude to improve themselves and serve customers and society even as they struggle.



Discussion on the Group's Future with the President  
A video featuring scenes from the Mirai Open Talk with young employees was posted on the in-house company website for employees.

These conversations help identify key management issues of enhancing value for employees, such as creating workplaces that encourage diverse talent to take on new challenges to achieve personal growth through them and allow them to tackle social issues to contribute to society. One initiative to this end is the full-scale initiation of the Daigas transformation or Daigas X, in which we aim to enhance work efficiency within the Group by sharing the Daigas Group's ways of productive working. We will develop a working environment to promote dynamic transformation and encourage members to challenge themselves.

We are also pursuing initiatives for further improving corporate governance. In addition to the Advisory Committees on appointment and remuneration, we established Advisory Committee on Management in FY2023.3. This new committee comprises the officer in charge of the Corporate Planning Headquarters, all Outside Directors, and me as President, with Outside Audit & Supervisory Board Members participating as observers. In these committees, each chaired by an Outside Director, members discuss critical issues, making the most of their respective specializations. In FY2024.3, we welcomed a new female Outside Director, and that has made discussions even livelier.

Through the practice of the above ESG-focused management, we intend to build resilient business foundations, aiming to continue earning the unwavering confidence of our stakeholders.

## Toward the Future

There has been a tremendous shift in the social paradigm. Even though the COVID-19 pandemic and the recent instability of social and economic conditions appear to have settled down somewhat, the world will not return to the way it was. The trend of decarbonization, digitalization, and the diversification of people's values will only grow in speed and scale. To avoid being left behind, we will shift our efforts into an even higher gear on co-creating value for a sustainable future.

Centering on activities for resolving social issues, we will devote our every effort to realizing a sustainable society by taking on new challenges in various fields in Japan and overseas to earn the overwhelming support of our stakeholders. Please look forward to our best results.

September 2023