



## Message from the Outside Directors



**Kazutoshi Murao**

Outside Director



**Yumiko Sato**

Outside Director



**Tatsuo Kijima**

Outside Director

Message from newly  
appointed Director



**Mikiyo Niizeki**

Outside Director

**I will leverage my experience and expertise to enhance the Daigas Group's corporate value.**

Companies are increasingly required to contribute to the sustainability of the global environment and provide safe and secure social infrastructure as the challenges in these current times, known as the VUCA\* era when we face sudden and unforeseen changes in the business environment. I will leverage my experience in organizational management and my knowledge of corporate analysis and finance, my areas of expertise, to boost the Daigas Group's corporate value for a sustainable future through the Group's resilience enhancement and co-creation with stakeholders.

\* Short for Volatility, Uncertainty, Complexity, and Ambiguity, referring to a state of unpredictability that is changing at a bewildering pace.

The Daigas Group is working to strengthen its corporate governance system to sustain growth and enhance medium- and long-term corporate value. Since the second half of FY2023.3, our Outside Directors have chaired our management, appointment, and remuneration advisory committees. As we enter the final year of the Medium-Term Management Plan 2023, our Outside Directors shared their opinions on the progress of the Plan, the effectiveness of the Board of Directors and the advisory committees, and the issues the Group faces in enhancing value sustainably.



### Formulating long-term-focused management strategies, which is a Major Challenge

While the execution of the Medium-Term Management Plan has been progressing steadily, the Group has faced unforeseen issues in FY2023.3 caused by skyrocketing energy prices and Freeport LNG's plant shutdown in the United States, among others. I conveyed my opinion that the Group needed to review its risk hedging measures taken for LNG procurement in light of unforeseen situations. And I have acknowledged that the Daigas Group has already taken action in this regard. Overcoming these challenges should be viewed as an opportunity to boost the Group's robustness against the unexpected.

Now is the time to consolidate the Group's foundations, focusing on business strategies for the next twenty or thirty years. Currently, the Group is putting efforts into decarbonizing gaseous energy carriers, such as introducing renewable energy and developing methanation technologies. In the coming years, the Group needs to formulate long-term focused management strategies, which is a major challenge.

### Board of Directors with an atmosphere conducive to free and open debate

At the Osaka Gas Board of Directors, there is an atmosphere conducive to free and open debate, and the Outside Directors speak frankly from their respective areas of expertise. I have made recommendations for

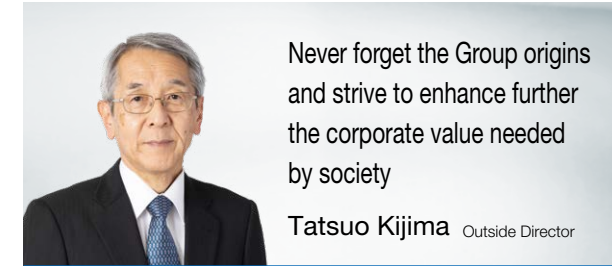
promoting digital transformation (DX) and Diversity & Inclusion. Board meetings are run flexibly to allow sufficient time to debate proposals that are deemed to require deeper consideration.

Debate in the Advisory Committee on Appointment, which I chair, is lively, and governance is functioning properly. Whenever a point of improvement occurs to us, we put requests to the Board. I see no areas that require significant improvement in the running of either the Board of Directors or the Advisory Committee on Appointment.

### Aim to be a leading company in tackling social issues

I would like Osaka Gas to engage in the initiatives of an advanced DX company. DX is not just about digitalization or computerization. It also involves management reforms and business reforms. Top management needs to clarify the direction of those reforms and drive them forward. In that respect, I have high hopes for Osaka Gas's DX implementation in a top-down style, with the DX Strategy Department established in April 2022. I have recommended three objectives in implementing DX: First is to expedite the company's business development; Second is to offer new lifestyles to customers; Third is to improve how employees work. I will be checking the progress in all these areas.

I also hope to see Osaka Gas continue supplying energy safely, securely, and stably, responsibility as a key energy business operator in Japan, which continues in perpetuity, and the company's most important mission in the medium to long term. In resolving global environmental issues, Osaka Gas must remain at the forefront of industry-wide initiatives, including achieving carbon neutrality. It is also vital that Osaka Gas pursues basic research to support the business for the next twenty or thirty years while aiming to be a leading company in tackling global challenges, such as climate change. Osaka Gas's abilities are being tested to see how many effective forward-looking measures the company can develop to resolve social issues. Succeeding in those initiatives will enhance our corporate value in the medium- to long term.



### Apply lessons from Freeport LNG's fire incident to the Group's all business fields

Osaka Gas has steadily executed the Medium-Term Management Plan toward 2023 and the Long-Term Management Vision toward 2030, both of which are well-formulated frameworks for the Group's overall business strategy, demonstrating Osaka Gas's serious stance as a responsible energy company on resolving social issues, such as energy transition to carbon neutrality.

On the other hand, the Group's financial results for FY2023.3 did not reach the planned figures, with profits falling far short of the targets, due mainly to the impact of Freeport LNG's plant shutdown. I have shared my view with the Board that this incident is relevant not only to directly related divisions but to all as an important lesson that similar incidents could happen to any business field of the Group.

### Recommendation that Management Advisory Committee meetings be held more frequently to complement the Board of Directors

In the Board of Directors' discussions about investing in renewable energy development and other projects, it is crucial to deepen debate about each project's position in terms of the company's medium- to long-term vision and the progress of their execution.

At the three Advisory Committees, all attendees express their opinions from various standpoints,



including Outside Directors' perspectives, on the issues the company faces. It is important to have multiple opportunities to hold that kind of debate. The Management Advisory Committee has met twice to discuss carbon neutrality and human capital since its launch in FY2023.3. I will work with other Committee members to increase follow-ups on previous subjects to check the progress and identify new issues, in addition to proactively discussing the Group-wide issues and the Medium-Term Management Plan-related challenges. I would like the Advisory Committees to meet more frequently to complement the Board of Directors.

### Re-acknowledge and rediscover the Daigas Group's identity

Besides the Medium-Term Management Plan and corporate governance, a corporate culture honoring the company's origins is integral in driving growth and enhancing corporate value. The Daigas Group plays a unique role in the energy space as a utility company that supplies gas and electricity, making it irreplaceable by any other competitors. As the Group continues expanding into new fields, we should embrace our origins and pursue safety and quality. In executing our strategic transformation following the Long-term Management Vision and Medium-Term Management Plan, each member and each division need to keep in mind what should be changed and what should be maintained. The Daigas Group's strength lies in the capabilities possessed by each of its employees. We intend to continue enhancing their capabilities and unlocking their potential in their current department and other divisions to inspire them with strategic personnel placements and career paths as needed. As we re-acknowledge and rediscover our Group's identity, we aim to enhance our corporate value and remain a company always required by society.



### Diversity is a key issue in the Medium-Term Management Plan

In FY2023.3, the Daigas Group devoted the entire year to securing a stable energy supply due to the impact of the fire-caused shutdown at the Freeport LNG, one of our major procurement sources. By responding appropriately to such difficult circumstances, we fulfilled our responsibility for energy supply stability.

Regarding the execution of the Medium-Term Management Plan, while value enhancement for customers has progressed through various measures, value enhancement for employees has remained an item we need to accelerate. To that end, we need to boost measures, in particular, to provide opportunities for women to demonstrate their abilities in broader fields by adopting the best practices of leading companies in this area. My recent conversations with mid-ranking female employees gave me the sense that Osaka Gas has many highly motivated female employees. As a good working environment for women is also suitable for men, we will promote initiatives to increase women's perspectives in improving the Group's career assistance program and re-examining the Group's work, which I hope will lead to the transformation of the entire Group. We will also support efforts to promote job-based and mid-career recruitment. In response to significant social change since the full deregulation of the power and gas retail markets, we will tackle the challenge of balancing promoting our creative workforce to demonstrate their

abilities and leveraging our corporate DNA that has driven our social mission of energy supply.

### Briefing from relevant teams before the Board meetings help the members make informed decisions.

In the Board of Directors meetings, we discuss various topics, such as risk diversification and ROIC management. Thanks to the briefings on complex matters given prior to the Board meetings by the relevant teams, the discussion points sink in, and the Board members can make informed decisions. Additional information is also provided so that the members learn what was discussed on the executive side about particular issues before discussing the topic at the Board meeting. Regarding the Advisory Committee on Remuneration where a highly transparent remuneration rule has been established, I will promote more lively discussions as the chair to encourage members to exchange views frankly for effective decision-making.

### Present value for a sustainable future from long-term perspectives and promote the Company's appeal

I have deepened my understanding of the Daigas Group through site visits, conversations with employees, and the company newsletters. I have gained a true sense of a very energetic Group, whose strengths lie in its employees' high caliber and excellent corporate atmosphere. The Daigas Group has a history of constantly responding to business environment changes while maintaining a stable energy supply. We need to communicate more that we are a company full of energy and change. We also should promote our appeal to students searching for employment after graduation, as a corporate group that offers diverse experiences and value to its employees. It is important for us to gain empathy from stakeholders about our business and vision by presenting value for a sustainable future with dreams from a long-term, not short-term, perspective.