

How Will the Daigas Group Connect the Present with the Future?

The Three Commitments, which are the Key Strategy in the Medium-Term Management Plan 2026, will serve as a bridge to the future. This section outlines how we will fulfill these commitments, including specific initiatives.

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Key Strategy That Connects the Present with the Future: the Three Commitments

In light of a growing demand for resolving social issues and the diversification of people's mindsets on how they want to work, the Daigas Group will pursue the Three Commitments under the Medium-Term Management Plan 2026 "Connecting Ambitious Dreams." The commitments are the key strategy to contribute to the resolution of social issues.

We will work on the co-create value of value for a sustainable future as we did under the previous Medium-Term Management Plan. Specifically, we will contribute to resolving social issues by accelerating initiatives toward carbon neutrality, maintaining a stable energy supply, enhancing the resilience of customers and society, and promoting co-creating of advanced, diverse solutions.

To support employees to shine in their roles, we will enhance value for employees and the company and aim to build a corporate culture that encourages diverse talents to come together and work hard.

Finally, to evolve the business foundation, we will promote the implementation of asset-light management that responds to changes flexibly, as well as transform business through digital transformation (DX) and enhance the governance system.

To fulfill the Daigas Group's Corporate Principles and aspiration

Key Strategy: the Three Commitments



Support Employees to Shine in Their Roles

Building a corporate culture that encourages diverse talents to come together and work hard

Creating an environment in which employees and corporate value mutually increase



Co-create Value for a Sustainable Future

Resolving social issues with the two-pronged approach of pursuing CN and providing natural gas

- Providing of carbon neutral energy
- Enhancing the resilience of customers and society
- Co-creating advanced, diverse solutions



Evolve the Business Foundation

Promoting the implementation of asset-light management

- Implementing of ROIC-focused management
- Advancing business transformation through DX
- Enhancing the governance structure

Social changes and business issues that have emerged since the announcement of the previous Medium-Term Management Plan

Decline in labor force, accelerating diversification in ways of work

Growing demand for resolving social issues

Increased uncertainty, necessity of continuous evolution



Providing Carbon Neutral Energy



To provide carbon neutral gaseous energy, we will accelerate the development of e-methane and other advanced technologies, as well as the establishment of supply chains. As for carbon neutral power sources, we will expand the use of renewable energy and proceed with the development of energy saving and supply-demand management technologies. To contribute to the reduction of CO₂ emissions during the transition period, initiatives for both gas and electricity will be strengthened. Specifically, we will construct highly efficient natural gas-fired power plants, in addition to globally facilitating wider usage and advanced utilization of natural gas, a low-carbon energy resource.

FY2024.3 Results

CO₂ emissions of the Daigas Group **24.63** million tons^{*1}

Percentage of renewables in our power generation portfolio in Japan **22.4%**

Renewable energy development contribution **3.17**GW

Avoided emissions **5.01** million tons

^{*1} CO₂ emissions in the domestic supply chain (Scope 1, 2 & 3). Please refer to □□P.52 for greenhouse gas emissions from the Daigas Group's value chain (Scope 1, 2 & 3).

Initiatives through FY2024.3

We proceeded on the creation of new supply chains for e-methane, the development of technologies to achieve carbon neutrality and joint national and international studies on CCS^{*2}. We also promoted a more widespread use of renewable energy with various initiatives, such as the joint development of solar power plants in Japan and overseas and the launch of commercial operation of new biomass power plants in Japan. In addition, we took measures to reduce CO₂ emissions across the Daigas Group and society. Specific initiatives in the Group included the adoption of low-carbon offices and company cars, as well as cryogenic power generation at our LNG terminals. For our customers, we strived for the introduction of high-efficiency gas-fired power generation both in Japan and overseas, introduction of fuel cells and gas-powered air conditioning and high-efficiency hot water heaters, and conversion to the use of natural gas as a fuel.

In March 2024, we joined forces with seven other companies that engage in energy businesses^{*3} to announce the creation of the e-NG Coalition, the first international alliance for e-methane.

The alliance aims to further promote a widespread use of e-methane across the world.



^{*2} CCS : Carbon dioxide Capture and Storage

^{*3} Tree Energy Solutions Belgium B.V., Tokyo Gas Co., Ltd., Toho Gas Co., Ltd., Mitsubishi Corporation, Engie S.A., Sempra Infrastructure Net Zero Holdings LP, and TotalEnergies SE

Challenges

We aim for a 1% introduction of e-methane by FY2031.3 and a more widespread adoption afterwards. To achieve this, it is necessary to develop innovative SOEC methanation technology^{*4}, as well as to realize early practical application of existing Sabatier methanation technology^{*5} through large-scale demonstrations. In addition, cooperation with various partners is necessary in building e-methane supply chains and facilitating a widespread use of renewable energy. This is because the development of large-scale solar power generation and onshore wind power generation is challenging in Japan, where there are few suitable locations for renewable energy production.

^{*4} Technology that uses SOEC equipment to electrolyze water and CO₂ into hydrogen and carbon monoxide using renewable energy, etc., and then synthesizes methane by catalytic reaction of the hydrogen and carbon monoxide.

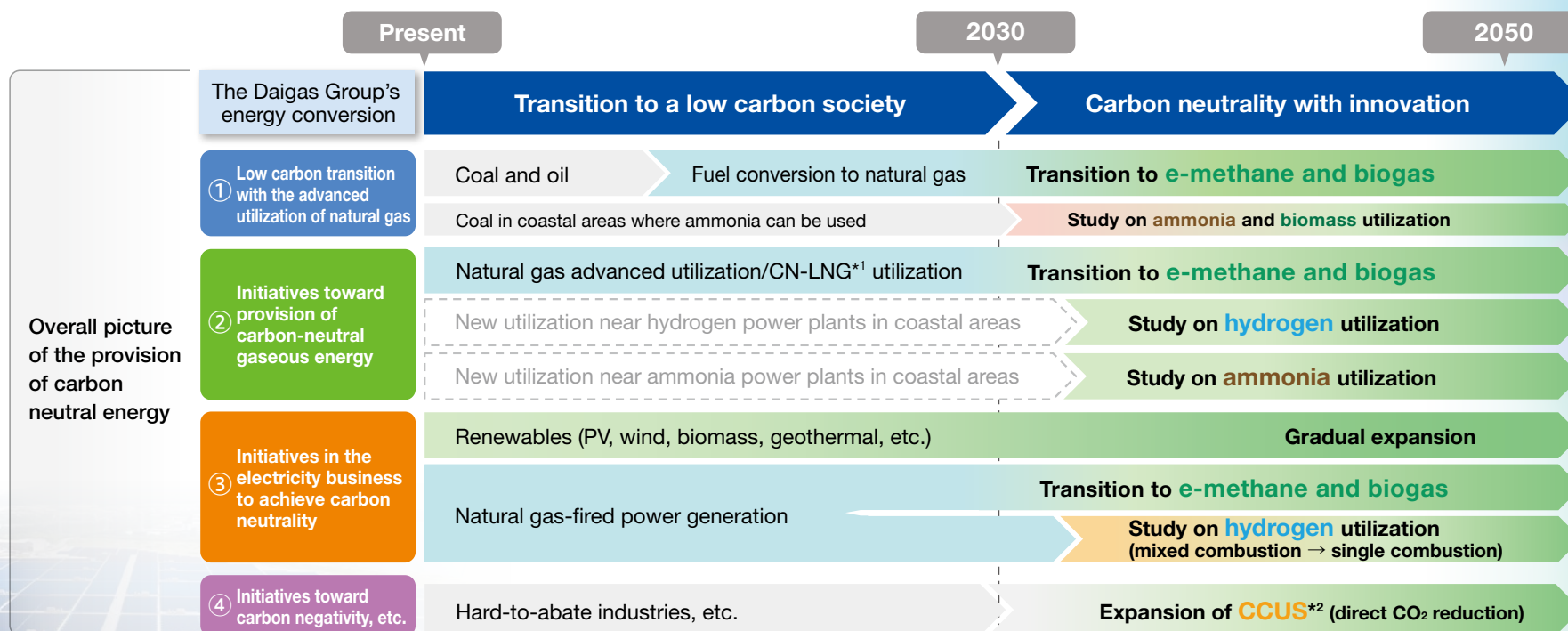
^{*5} Technology that synthesizes methane by catalytic reaction of hydrogen, e.g. from renewable energy sources, with CO₂.

Providing Carbon Neutral Energy

Initiatives for the Future

In Energy Transition 2030 (ET2030) released in March 2023, the Daigas Group outlines the overall picture of the provision of carbon neutral energy. The Group has been working on specific initiatives in accordance with a roadmap.

In order to achieve carbon neutrality, a steady transition to low-carbon energy is crucial, as a great deal of time and social cost will be required for technological innovation and the building of supply chains. It is also important to choose optimal energies and supply methods to suit the customer's energy use characteristics, such as the balance of electricity and heat use and their location. Focusing on the transition to low-carbon energy by 2030 through a shift from coal and oil to natural gas, and the seamless transition to carbon neutral energy with the introduction of e-methane and biogas in the future, we will continue to pursue carbon neutrality of power sources in ways that meet customer needs. This will include the use of hydrogen and ammonia, as well as carbon neutrality of power sources, such as renewable energy generation and zero-emission thermal power plants. Initiatives under the current Medium-Term Management Plan (see the diagram below) in the overall picture for carbon neutralization of energy are described from P. 34 to P. 37.



*1 CN-LNG: Carbon Neutral LNG, which is considered to produce no CO₂ on a global basis when greenhouse gases emitted in the supply chain from natural gas production to combustion are offset by CO₂ absorbed and reduced in a separate process from the value chain.
 **2 CCUS: Carbon dioxide Capture, Utilization and Storage

FY2031.3 Targets	Contribution to developing renewables capacity on a global basis 5 GW	Percentage of renewables in our power generation portfolio in Japan Approx. 50 %	Avoided emissions 10 million tons (baseline: FY2017.3)
	Reduction of Daigas Group CO ₂ emissions 5 million tons (relative to FY2018.3)	e-methane 1 % introduction	Establishment of a pilot-scale (400 Nm ³ /h class) SOEC technology

Providing Carbon Neutral Energy

1 Low Carbon Transition with the Advanced Utilization of Natural Gas

Initiatives Enhanced under the Medium-Term Management Plan

At our customers' large-scale factories, etc., we will promote fuel conversion from coal and other fuels to natural gas and LNG with low CO₂ emissions. In addition to promoting a widespread use of equipment that contributes to energy saving, we aim to avoid CO₂ emissions of 7 million tons across society in FY2027.3 by taking such measures as launch of an LNG bunkering business, construction of gas-fired power plants, and sales of highly efficient gas equipment.

Widespread Use and Advanced Utilization of Natural Gas

We will promote transition to low-carbon energy by converting fuels from petroleum-based fuel and coal to city gas and LNG and promoting a widespread use of energy saving equipment. Enhancing initiatives in parts of Japan and Asia where city gas infrastructure does not exist will enable a smooth transition when introducing e-methane in the future, because existing city gas infrastructure and customers' combustion equipment can be used without modification.

Domestic initiatives

We will strive for the sales and expanded use of fuel cell type ENE-FARM as a cogeneration system for the residential segment that contributes to energy saving and CO₂ reduction. The system generates power from the chemical reaction between hydrogen taken out from city gas and oxygen in the air. As of April 2024, we have sold a cumulative total of 200 thousand units*¹, which contributed to reduce CO₂ emission by approximately 370 thousand tons*² per year.



*¹ Based on orders received by Osaka Gas

*² Estimated by Osaka Gas based on the assumption that families of four living in detached homes replaced conventional gas hot water supply and heating systems with ENE-FARM or ENE-FARM type S units

Overseas initiatives

Sabine Oil & Gas Corporation in the United States aims to increase shale gas production by developing new wells. We will work to expand Sabine Oil & Gas Corporation's mining areas and find additional areas for potential development projects.

LNG bunkering business

To transition from conventional heavy oil to low-emission marine fuel, we plan to launch a ship-to-ship*³ bunkering business in FY2027.3 in the Osaka Bay and Seto Inland Sea. In the future, we aim to contribute to the provision of carbon neutral marine fuel by replacing LNG with e-methane.

*³ An LNG supply method where a bunkering ship comes alongside an LNG-fueled ship moored to a berth or tied to an anchorage point and supplies LNG to the ship

Expansion of City Gas Business in India

To address increasing energy demand associated with economic growth, lower carbon emissions, and tackle air pollution, the Indian government promotes the expansion of natural gas use by developing city gas infrastructure for a widespread use of natural gas cars and taking other measures. Osaka Gas Singapore Pte. Ltd., a Daigas Group company that has been participating in the city gas business in India since 2021, decided in April 2024 to invest in AG&P LNG Marketing Pte. Ltd. The investment will be made through a Japanese consortium jointly with SUMITOMO CORPORATION and Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development. This will expand the city gas business the Group participates in India to a total of 19 GA*⁴. Going forward, the Group will expand the sales of city gas mainly in the transportation segment, as well as in the residential, commercial, and industrial segments. We aim to eventually expand the scale of the city gas business in India to a level that exceeds a half of our gas sales in Japan*⁵.

We will develop the city gas business in India into a pillar of our business in Asia, and contribute to the transition to low-carbon energy and stable energy supply in India.

*⁴ GA stands for geographical area and is the unit by which urban gas business rights were assigned. Approximately 320 thousand km², which is equivalent to 10% of India's land (approximately 90% of Japan's land)

*⁵ Consolidated gas sales volume (45MJ/m³) in FY2024.3 was 6,646 million m³



Providing Carbon Neutral Energy

2 Initiatives toward provision of carbon-neutral gaseous energy: 1

Initiatives Enhanced under the Medium-Term Management Plan

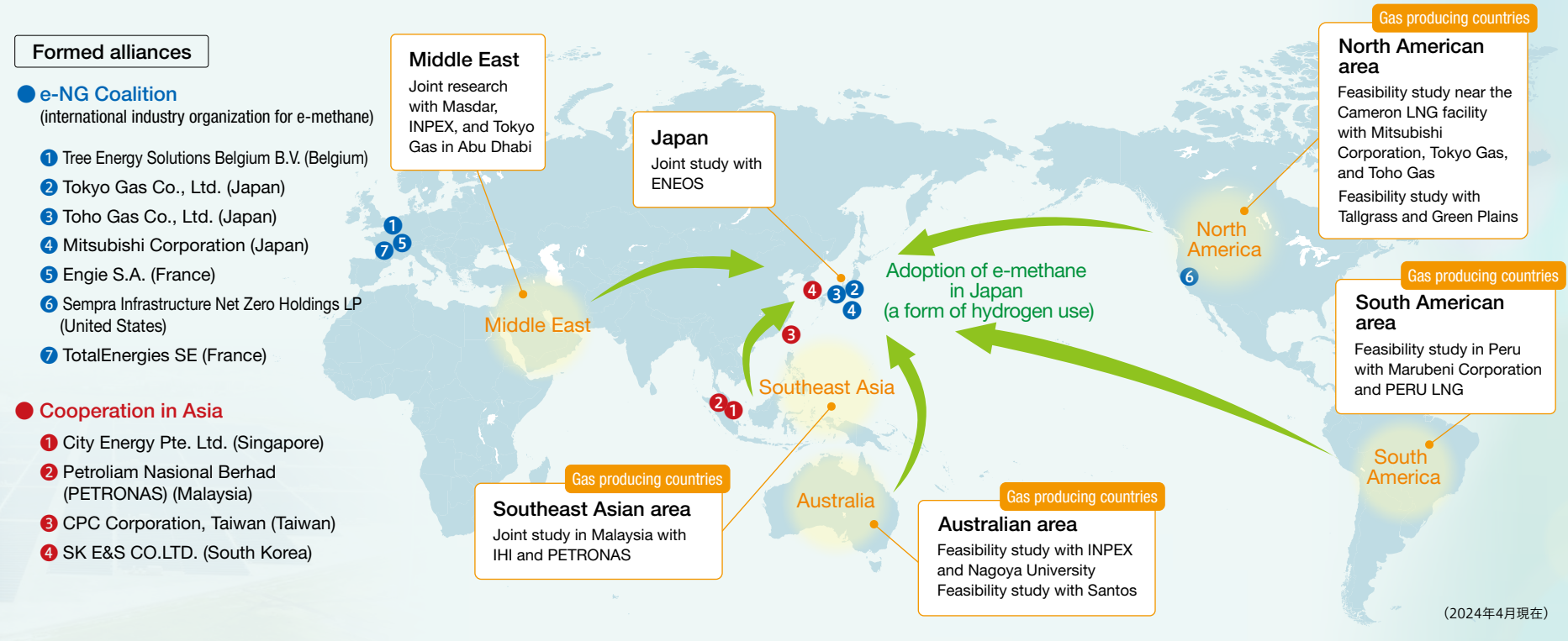
We will build supply chains to achieve 1% introduction of e-methane by FY2031.3. Aiming for a wide spread use of e-methane, we will consider multiple projects in North America, South America, and other regions in addition to domestic projects, by taking advantage of the e-NG Coalition and international partnerships in Asian countries.

Formation of Supply Chain Alliances

For the full-scale introduction of e-methane in 2030, the Daigas Group will consider establishing diverse methanation technologies, developing renewable energy sources, and building a supply chain both in Japan and overseas, including the procurement of hydrogen and CO₂ in collaboration with customers.

For stable procurement in the future, we are identifying locations suitable for e-methane production, focusing our consideration on North America, South America, Australia, the Middle East, and Southeast Asia, where existing natural gas and LNG facilities can be used. In addition, we will cooperate with energy companies in Asia and advance e-methane use not only in Japan but also in Asia.

In March 2024, we announced the establishment of the e-NG Coalition with seven companies that engage in energy businesses. The coalition is an international alliance that aims to facilitate a widespread use of e-methane worldwide and achieve a carbon neutral society by cooperating across country and industry borders.



Providing Carbon Neutral Energy

2 Initiatives toward provision of carbon-neutral gaseous energy: 2

Initiatives Enhanced under the Medium-Term Management Plan

To achieve a carbon neutral society, we will develop methanation technologies that produce e-methane, and proceed with demonstration projects and studies for large-scale production and practical application. We will also carry out demonstration projects on such technologies at the Osaka/Kansai Expo starting in 2025, introducing them as the Daigas Group's initiatives.

R&D toward Provision of Carbon Neutral Gaseous Energy

Described below are the Daigas Group's initiatives for the development of diverse methanation technologies. We will also advance the development of hydrogen and ammonia combustion technologies to meet customer needs.

1 Initiatives for practical application of existing Sabatier methanation technology

Jointly with INPEX CORPORATION, we will proceed with the construction of a test facility plant in one of the largest technology development projects in the world for the commercialization of methanation*1, which aims to reduce the emissions of and effectively use CO₂. The plant is scheduled to start operation in FY2026.3. By FY2027.3, we will carry out demonstration to understand the reactive behavior of methanation, evaluate durability, and review scale expansion.

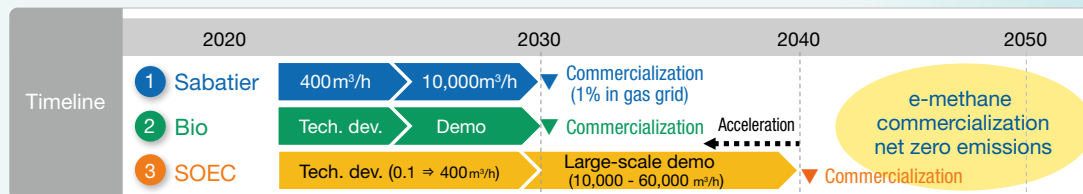
2 Initiatives for practical application of biomethanation

After demonstrating at a waste incineration plant (Maishima Plant) in Osaka City, we plan to demonstrate the technology*2 at the Osaka/Kansai Expo site from April 2025. (See below)

3 Promotion of the development of innovative SOEC methanation technology*3

Having started laboratory-scale testing in June 2024, we plan to conduct bench-scale testing from FY2026.3 to FY2028.3 and pilot-scale testing from FY2029.3 to FY2031.3, and aim to achieve a top-level energy conversion efficiency (approximately 85–90%) in FY2031.3.

Roadmap for Social Implementation of Methanation Technology



*1 NEDO Grant Project: "Development of Carbon Recycling and Next-Generation Thermal Power Generation Technologies / Practical Utilization Technology Development for Effective Use of CO₂: CO₂ Utilization Technology for Gaseous Fuels"

*2 Ministry of the Environment Commissioned Project: "Project to Construct and Demonstrate a Model for Reducing the Cost of Hydrogen Supply by Utilizing the Existing Infrastructure (Fiscal Year 2023)"

*3 NEDO Green Innovation Fund Project: "Innovative Technology Development for Synthetic Methane Production: 'SOEC Methanation Technology Innovation Project'"



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Initiatives at the Osaka/Kansai Expo

Demonstration of methanation utilizing biogas

We will demonstrate how methanation produces e-methane through synthesis from green hydrogen and CO₂ generated from food waste or contained in the air at the venue. The e-methane produced will be supplied to equipment that uses city gas in the venue and used for gas supply facilities and gas kitchens.



Use of SPACECOOL® at the Expo

SPACECOOL®, developed by Osaka Gas, has been adopted as a membrane material for the gas pavilion at the venue. SPACECOOL® is a radiant cooling material with a unique optical design, which lowers the indoor temperature below the temperature outside without using energy. It not only keeps a comfortable temperature inside the pavilion but also reduces the load of air conditioning, which contributes to reducing CO₂ emissions.



Utilization of CO₂NNEX®*4

The Daigas Group plans to supply carbon neutral gas to the venue by transferring environmental value created by e-methane and biogas.

In addition, at the Expo venue, we aim to utilize a digital platform "CO₂NNEX®*4" for visualizing the environmental value management and transfer of e-methane and CO₂ distribution, which we are jointly exploring with Mitsubishi Heavy Industries, Ltd.

*4 CO₂NNEX is a registered trademark of Mitsubishi Heavy Industries, Ltd.

Providing Carbon Neutral Energy

3 Initiatives in the Electricity Business to Achieve Carbon Neutrality

Initiatives Enhanced under the Medium-Term Management Plan

In Japan, we will cooperate with various partners and advance the development of small- and medium-scale solar power plants across the country. Outside Japan, we will participate in solar power projects in the United States and Australia. Led by the Power Business Unit established in FY2025.3, we will further accelerate these initiatives and aim to achieve 4 GW renewable energy development contribution in Japan and overseas by FY2027.3.

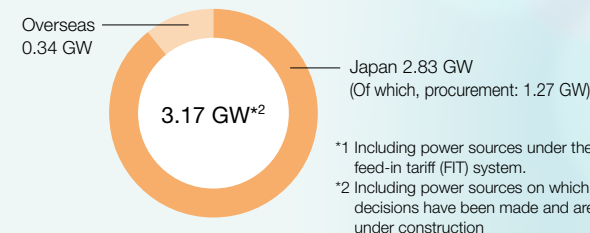
Low-Carbon Transition of Power Sources

We aim to commence the operation of the Himeji Natural Gas Power Plant in 2026, which will contribute to a highly efficient energy use and a stable supply of energy. The scale of this power plant will be approximately 1.2 GW, and it is expected to serve as a dispatchable power source during the transition period.

Increase in Renewable Energy Development Contribution

In Japan, we will cooperate with various partners and advance the development of small- and medium-scale solar projects across the country. Outside Japan, we participate in a solar power development project in Australia, in addition to multiple solar development projects in the United States. We will accelerate these initiatives and aim to achieve 4 GW renewable energy development contribution in Japan and overseas by FY2027.3.

Renewable Energy Development Contribution*1 (FY2024.3)



4 Initiatives toward Carbon Negativity, etc.

Initiatives Enhanced under the Medium-Term Management Plan

With the aim of achieving carbon negativity, we will consider reusing CO₂ (CCU*3) emitted from H-to-A industries*4 such as steel and cement, and injecting and storing excess CO₂ deep underground (CCS*5). In addition, we will drive forward carbon credits and other businesses conducive to CO₂ offsetting.

*3 CCU: Carbon dioxide Capture and Utilization

*4 H-to-A industries: Industries where CO₂ emissions reduction is difficult (Hard-to-Abate)

*5 CCS: Carbon dioxide Capture and Storage

Initiatives for CO₂ Value Chain Development

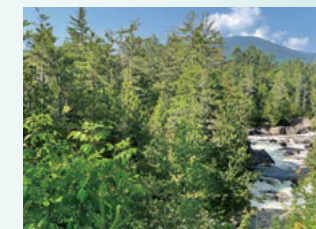
Taking advantage of our experience and cooperative relationships with stakeholders cultivated in a wide range of city gas businesses from the upstream (natural gas production, liquefaction, and marine transportation) to the downstream (regasification and supply in Japan), we are conducting studies on and promoting the development of value chains in the capture, utilization, storage, and management of CO₂ (CO₂NNEX®).

In addition to the development of CCS value chain and studies on the capture and utilization of CO₂ which we have been conducting with partner companies, we started in March 2024 a joint study with Mitsubishi UBE Cement Corporation on CCUS to achieve carbon neutrality in the cement production process.

Initiatives by a Forest Fund Established by Sumitomo Forestry Group

In July 2023, Osaka Gas announced its joint investment, along with nine other Japanese companies, in the Eastwood Climate Smart Forestry Fund I ("the Fund") established by the Sumitomo Forestry Group.

By 2027, the pooled capital will have been invested in the acquisition and management of 130 thousand hectares of forest, primarily in North America. The Fund will contribute to the realization of a carbon-neutral society by generating new absorption of CO₂ and the production and trading of high-integrity carbon credits. (Approx. 46 thousand hectares of forest assets acquired as of June 2024.)



An example of forests purchased by the Fund (Courtesy of Eastwood Forests, LLC)

Enhancing the Resilience of Customers and Society



Heightened geopolitical risks, the impact of climate change, and measures against natural disasters have become major challenges for society. As the Daigas Group engages mainly in energy businesses, the Group strives to enhance the safety and stability of energy supply chains to overcome such challenges. We will continue to take measures to prepare for disasters and ensure safety, and contribute to enhancing the resilience of customers and society by facilitating a widespread use of disaster-resistant equipment and energy.

FY2024.3 Results

Continued **zero** serious accidents

Ratio of strengthening of earthquake resistance*1 **89** %

Number of supply blocks*2 **727** blocks

*1 Percentage of earthquake resistant pipes

*2 Number of divided blocks of pipeline networks for the purpose of suspending gas supply only in severely affected areas after earthquakes or other natural disasters

Initiatives through FY2024.3

Enhancing resilience in energy supply chains

Ensuring the safety of city gas, gas production, and power generation facilities is the Daigas Group's top priority. As a result of working on the enhancement of resilience at each stage from raw material procurement to use of gas by customers, we achieved continued zero accidents, a target under materiality indicators. As countermeasures against earthquakes, we replaced aging gas pipes and divided supply blocks into smaller segments to enable early recovery after earthquakes.

In the electricity supply chain, we not only enhanced electricity supply by developing and procuring from renewable energy sources but also promoted a widespread use of gas CHP units, fuel cells (ENE-FARM), and other disaster-resilient equipment. Such equipment can operate in isolation and keep generating power even in times of blackout.



Challenges

We are seeing heightened geopolitical risks, such as instability in the Middle East and transit restrictions on the Panama Canal. In light of the possibility that such risks may intensify, continued efforts are necessary to reduce risks by using diverse suppliers, as well as to ensure a stable procurement.

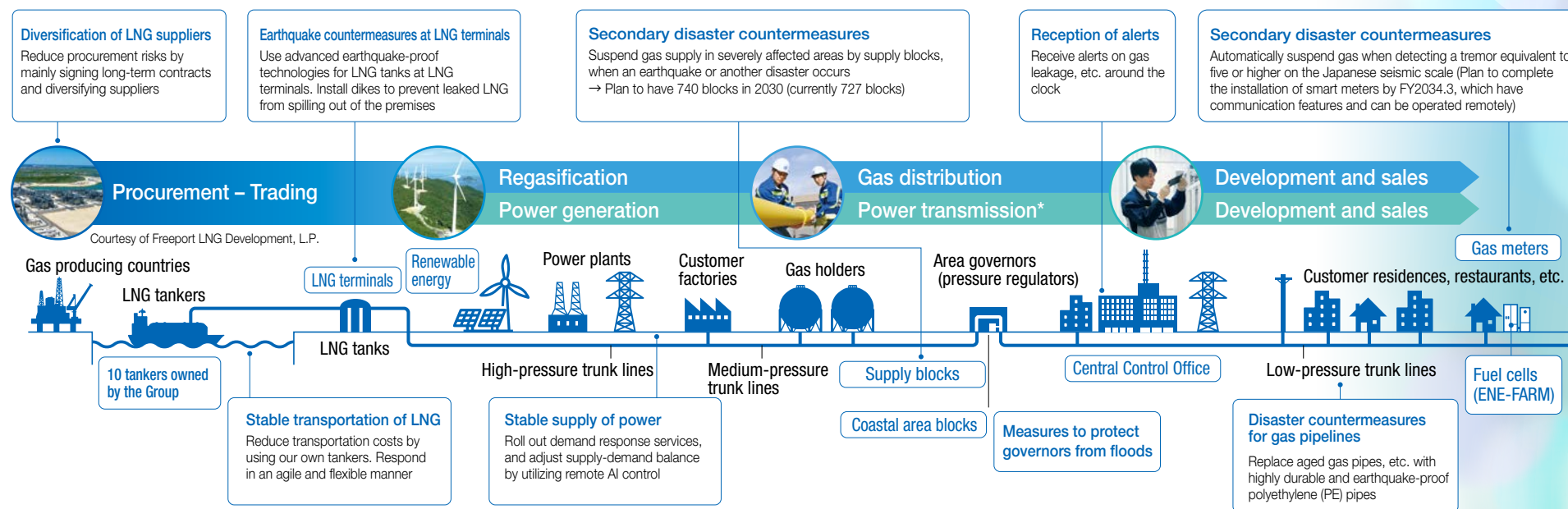
In addition, the use of renewable energy is expanding in response to the trends of carbon neutrality and electrification. Against this backdrop, we are expected to promote energy management, where energy use is visualized and optimized to address the surplus and shortage caused by gaps in demand during daytime and nighttime.

Enhancing the Resilience of Customers and Society

Initiatives Enhanced under the Medium-Term Management Plan

In addition to existing initiatives, we will further enhance security and safe supply by utilizing AI and other digital technologies, as well as contribute to grid stabilization by developing energy management technologies and taking other measures.

Initiatives to Enhance Resilience in Energy Supply Chains



*Supply electricity through the power grids operated by other companies such as Kansai Transmission and Distribution, Inc.

Enhancing security and safe supply by utilizing AI and other digital technologies

Achievement of operational efficiency improvement and labor saving in gas leakage inspection

In 2023, Osaka Gas Network Co., Ltd. developed a new inspection method and system for the inspection of gas leakage from underground pipes. The introduction of high-precision laser spectroscopic detectors for inspections, as well as a navigation system that supports inspections by generating inspection routes, more than halved the number of persons needed for inspection, resulting in higher efficiency and labor saving.

We will continue to combine the technological capabilities and know-how we have cultivated with cutting-edge digital technologies, enhance our business operations, and help the industry overcome the challenges it faces.

Contributing to a stable supply-demand balance of electricity

Establishment of a virtual power plant with “ENE-FARM”

The amount of power generated from renewable energy depends on weather conditions. To address this issue, we aim to release an energy management service, where a large number of ENE-FARM units are controlled and utilized as if they were one power plant to stabilize power supply.

Co-creating Advanced, Diverse Solutions



In a world advancing toward carbon neutrality and digitalization, we will create progressive and diverse options. We will offer more comfortable lifestyles for residential segment customers, as well as create an environment where commercial and industrial segment customers can focus on business with peace of mind. Our strengths include extensive feedback received from customers over the years, deep connections with a wide range of customers, and technologies cultivated over time. By taking advantage of such strengths, we will keep evolving into a marketer trusted by customers and society through co-creation with our stakeholders.

FY2024.3 Results

Number of customer accounts **10.38** million

Customer satisfaction rate **92%**



Initiatives through FY2024.3

With the aim of offering services helpful to customers and society and achieving business growth, we expanded new services and rolled out new solutions. As a result, the number of customer accounts reached 10.38 million. We also strived to ensure safety and improve the quality of services. The satisfaction rate for customer-facing operations* remained high at 92%. In addition, the LBS Business domain expanded, with the launch of new businesses in the property development business, enhancement of business domain through M&A in the information technology business, and further advancement in the development of materials with high added value in the materials business.

*Five areas of operation that have direct interaction with customers (opening gas valves, appliance repairs, appliance sales (with installation), periodic safety inspections [gas facility surveys], and telephone support [customer center]).

Residential Energy Business

- Expanded the services offered by life service platform “Sumai LINK”
- Launched “FitDish,” a refrigerated food delivery service
- Expanded the rate plans for fixed-line telecommunication service

Commercial and Industrial Energy Business

- Launched the “D-Charge” service, an EV charging solution
- Converted customer’s fuel to natural gas (Iwakuni Production Center, TOYOBO Co., Ltd., etc.)

LBS Business

- Property development business: Launched REIT and logistics real estate businesses
- Information technology business: Made AMMIC Corporation a subsidiary to enhance the ERP introduction support business
- Material business: Insulated materials for semiconductor production grew, and the offering of activated carbon products expanded in and outside Japan



Challenges

Competition has intensified due to the deregulation of the gas retail market and other factors. In addition, the energy business is facing a turbulent environment due to the accelerated move toward carbon neutrality. To secure new revenue sources and seek a sustainable growth, it is important not only to expand Sumai LINK and other new businesses, as well as LBS Business domain, but also to keep creating new businesses that meet diversifying customer needs.

Co-creating Advanced, Diverse Solutions

Initiatives Enhanced under the Medium-Term Management Plan

To strengthen the function to create new businesses that meet customer needs, we have established the Next-Generation Business HQ and will accelerate the creation of new businesses. Under the new structure, we will work to expand new services and businesses, as well as enhance existing services and businesses. Our aim is to increase the number of customer accounts to 10.90 million by FY2027.3.

Further Expansion of New Businesses by Segment

Residential Energy Business

In addition to offering diverse rate options and energy services suited to each customer, we will expand lifestyle-related services. Sumai LINK is to be expanded as a service that increases alliances for co-creation and supports lifestyles. We will expand the menu for FitDish and develop it into a service that customers use repeatedly.

Expansion of the Sumai LINK Service

Sumai LINK is a one-stop platform where we offer a range of services used in daily life. By cooperating with various partners, we aim to make the platform into a service used by a large number of customers.

In November 2023, we signed a trilateral agreement with Tawaramoto Town, Nara Prefecture and RIZAP, Inc. to start a demonstration project from July 2024, where customers are encouraged to participate in health promotion programs offered by RIZAP, Inc. on their TV sets through the Sumai LINK TV Stick.

By making it easy to participate in the health promotion programs offered by RIZAP, Inc., we will increase the participation rate of elderly people and provide an opportunity for not only elderly people but a wide range of people to take up exercising. We aim to roll out the initiative to other local governments and companies interested in health, while working to resolve issues identified in the demonstration.

Creation of New Businesses

Promotion of Innovation under a New Structure

Aiming to increase the Daigas Group's earnings and contribute to resolving social issues, we will commercialize the Group's proprietary technologies and seek to create new businesses by combining our strengths with other companies' technologies and services.

From FY2025.3, functions to create new businesses are consolidated under the umbrella of the Next-Generation Business HQ. With this structure, we will further new business creation by promoting a consistent process from research and technology development to collaboration with a variety of partners and commercialization. Specifically, we will promote the commercialization of the Group's proprietary technologies, as well as the creation of new businesses with our partners, such as those related to EV and circular economy.

Commercial and Industrial Energy Business

In addition to energy (gas and electricity), we offer total solutions (CHP units, photovoltaic power, air conditioning, etc.) centered around D-Lineup, and contribute to solving issues customers and society face. We also contribute to reducing customers' CO₂ emissions by converting fuels to natural gas and offering renewable energy services, in anticipation of a carbon neutral society.

LBS Business

We will contribute to society by further demonstrating the strengths each company has cultivated, such as urban development through co-creation, information systems that add high value, and provision of activated carbon, etc.

Urban Development Business (Osaka Gas Urban Development Group)

We will proceed with the development of sustainable, high-quality housing and offices in response to social issues and customer needs, and accelerate new businesses, such as logistics real estate and REIT.

Materials Business (Osaka Gas Chemicals Group)

We will expand the business by launching new products that use highly unique, high-functioning materials. We boast a large global share of activated carbon products, and will develop and promote a widespread use of such products for biogas refinement and Per- and PolyFluoroAlkyl Substances (PFAS) removal purposes.

Information Technology Business (OGIS-RI Group)

We aim to expand the ERP introduction support business, which is our strength. In addition, we seek to expand our business globally by acquiring IT talent and develop new strategic partners primarily in Asia.

Creating an Environment That Enhances Value for Employees and the Company



The Daigas Group regards human capital as a source of value creation. Against the backdrop of a shrinking labor market and diversifying ways of work, we will expand recruitment and provide a workplace where diverse human resources gather and work together to maximize their potential, thereby increasing corporate value.

In addition, we will foster mutual-growth relationships between employees and the company by boosting business activities through two-way communications between them.

FY2024.3 Results

Employee attitude survey **Four comprehensive indicators^{*1} remained at appropriate levels**

Annual average hours of training per employee **25.1** hours/person

Ratio of female employees promoted to managerial positions **15.9%**

Ratio of female executives **26.7%**^{*2}

Ratio of female directors **20.0%**^{*2}

Ratio of female career-track employees **32.8%**

^{*1} Four comprehensive indicators are "overall satisfaction," "loyalty," "intention to continue working," and "intention to recommend"

^{*2} Ratio of female directors was 26.7% after the Annual Meeting of Shareholders held in June 2024

Initiatives through FY2024.3

With the aim of acquiring and developing human resources who can play an active role in a rapidly changing business environment, we expanded recruitment channels and offered diverse education programs for each employee's skills development.

As a result, we were able to acquire diverse talent, with larger numbers of specialists and mid-career hires joining the company. As for skills development, we developed the career portal system and advanced the visualization of employees' careers and career support for younger employees. Simultaneously, we worked on the creation of a pleasant working environment, promoting flexible work styles unconstrained by time or location.

To empower employees with diverse careers and values, we enhanced career education for women, offered support for balancing childcare with work, and took other measures, with the recognition that promoting women's careers is of particular importance. As a result, we achieved the targets for the ratio of women in managerial positions, ratio of female directors, and ratio of female executives, which have been set as materiality. In recognition of these efforts, we were selected as "the Nadeshiko Brand," which is a testament to excellence in women's empowerment in the workplace.

We also work on Health and Productivity Management^{*3}. We established the Daigas Group Action Guidelines "Healthy 7" to promote healthy lifestyles, in addition to the Daigas Group Health Management Declaration, and aim to improve employees' lifestyle habits by carrying out health promotion activities based on "Healthy 7." In recognition of these efforts, we were selected as one of "the Health and Productivity Management Stock Selection Program 2024" two years in a row.

^{*3} Health and Productivity Management is a registered trademark of the NPO Kenko Keiei Kenkyukai.



Challenges

To expand the Group's business and diversify business portfolio, it is important to sustainably secure personnel as the entire Group. It is necessary to increase personnel who can develop technologies related to carbon neutrality and promote digital transformation, as well as to secure diverse personnel, including specialists. In addition, we need to further accelerate such initiatives as the development of human resources necessary for management strategies and the creation of an environment where the right person is appointed to the right position and each employee can demonstrate their abilities to the fullest.

Creating an Environment That Enhances Value for Employees and the Company

Initiatives Enhanced under the Medium-Term Management Plan

The Daigas Group will drive forward talent acquisition and development, strategic deployment of talent to align with job requirements, and revitalization of individuals, with KPIs set in addition to materiality indicators.

Human Resources Strategy

Talent acquisition and development

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.

Strategic deployment of talent to align with job requirements

We will enhance talent management to deploy talent strategically to align with job requirements and maximize employees' performance.

Revitalization of individuals

We will work on the revitalization of individuals, where we achieve both the creation of an environment that makes employees feel more rewarded and motivated and the maximization of the overall output.

To revitalize initiatives and create an environment that enhances value for employees and the company, we will promote health management, improve group-wide communications through Daigas X (Daigas transformation), and take other measures to improve the overall employee satisfaction level.

Message from Officer in Charge of Human Resources

Creating an environment where employees can demonstrate their strengths

As a human resources strategy to achieve "Support Employees to Shine in Their Roles" in the key strategy under the current Medium-Term Management Plan, we are working on talent acquisition and development, strategic deployment of talent to align with job requirements, and revitalization of individuals. To achieve these, we have set new KPIs, including the total number of new graduates and mid-career recruitments, reserve ratio of next-generation management personnel, and work engagement score.

The Daigas Group promotes talent management that takes career aspirations seriously. We deploy and promote personnel based on systematically compiled talent management data, which includes HR information and business lineup. In addition, we are expanding work style options and creating an environment that allows flexible work styles.

Specifically, from this fiscal year, we are holding career training sessions and interviews more frequently and making them available to employees of diverse ages. These sessions and interviews are intended to help employees play an active role in the Group and draw their futures. We are thus supporting an autonomous career development. We have also introduced a system where employees on the development track, who are expected to work in a wide range of business domains, can see information on senior colleagues' careers on the career portal and ask for a meeting. Furthermore, systems are in place to have a side job or do an internship in a different division of the company, as well as to have an external side job. With such diverse initiatives, we will promote a human resource strategy based on our business strategy.



Director, Senior Executive Officer, General Manager of Human Resources Dept.

Toshiyuki Imai

Human Resources KPIs

	Specific initiatives and KPI	FY2024.3 Results	FY2027.3 Targets
Talent acquisition and development	Total number of new graduates and mid-career hires	Previous medium-term plan: 266 people	New medium-term plan: 330 people (approx. 1.25 fold increase)
	Ratio of female career-track employees	32.8%	30% or higher
	Development of DX core staff	180 employees	300 employees
Strategic deployment of talent to align with job requirements	Reserve ratio of next-generation management personnel	—	250% or higher
	Ratio of female directors	20.0%	25% or higher
Revitalization of individuals	Ratio of female employees promoted to managerial positions	15.9%	20% or higher
	Work engagement score*	—	50 or more

*Deviation in work engagement results for companies using the Advantage Toughness Survey.

Implementing ROIC-Focused Management



To improve the earning capacity of each business and establish a robust business portfolio, we have been pursuing ROIC-focused management since FY2022.3. This has produced results. Under the Medium-Term Management Plan 2026, we aim to increase capital efficiency and improve corporate value, while investing in the carbon neutrality field and taking other measures to develop businesses for the future. To this end, we will take an asset-light approach to management, identifying sources for the generation of value in each area and maximizing the value of the assets we hold.

Initiatives through FY2024.3

We introduced ROIC as a management indicator in the Medium-Term Management Plan 2023. Business units and corporate headquarter divisions worked together to improve ROIC while paying attention to capital costs (WACC). Each business unit rolled out initiatives autonomously and speedily, such as selling assets that have completed their purpose and taking other measures for asset replacement, implementing initiatives to raise NOPAT^{*1}, and improving asset efficiency by securitizing Group-owned real estate, etc. The headquarters divisions worked to deepen ROIC-focused management by reviewing medium-term business plans and resource allocation.

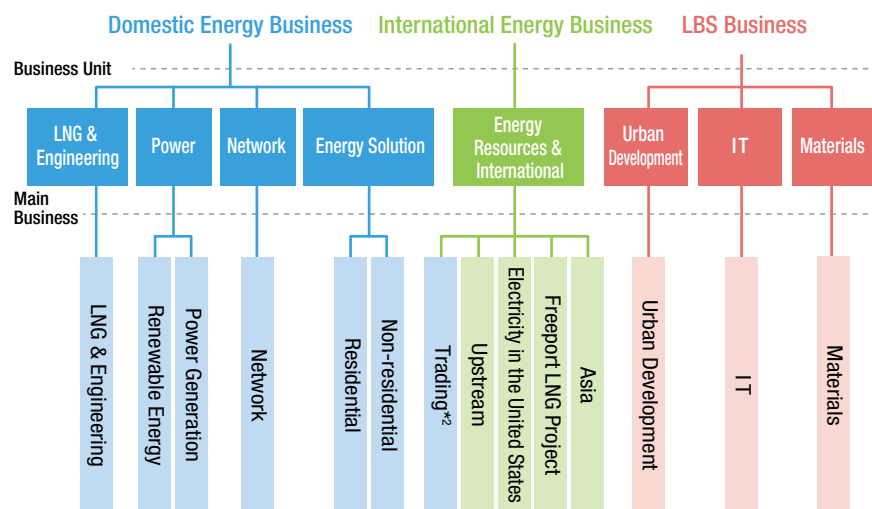
^{*1} NOPAT=Ordinary profit + Interest expenses - Interest income - Income taxes

Challenges

In light of changes in the business environment, such as the accelerating carbon neutral trend and soaring energy prices, we need to increase capital efficiency and improve corporate value, while making investments in renewable energy and e-methane to prepare for a carbon-neutral future.

Necessary measures to achieve this include expanding profits by increasing the value of existing businesses and assets, taking advantage of our strengths developed in existing businesses and working on new businesses that enable value increase, and selling or moving off-balance sheet businesses and assets of lower capital efficiency.

Business Units and Main Businesses



*2 Trading business is included in the Domestic Energy Business segment.

Initiatives Implemented under the Medium-Term Management Plan

Main Initiatives and FY2027.3 Targets by Segment

Segment	Main initiatives	FY2027.3 plan
Domestic Energy Business	<ul style="list-style-type: none"> Expansion of service areas and improvement of asset efficiency in the marketer business Gas business development outside the Kansai region and improvement of productivity Feedstock cost reduction and LNG sales profit increase through the optimization of LNG trading Electricity value chain enhancement and expansion Investment efficiency improvement for renewable energy business (e.g., moving assets off-balance sheet, evolving finance schemes) Appropriate sale of investment securities by re-examining the significance of each stock holding 	4.0%
International Energy Business	<ul style="list-style-type: none"> Production expansion of shale gas as a key transition fuel Promote replacement of assets (e.g., electricity business in the United States) 	7.0%
LBS Business	<ul style="list-style-type: none"> Growth in property development, IT, and materials by leveraging our strengths in each field Asset efficiency enhancement initiatives, such as private REIT business 	5.5%

Aim for approximately ROIC 5% in FY2027.3 as the entire Group

Enhancement of the Governance System and Change in Organizational System



We established a new Risk Management Committee to comprehensively manage the risks of the Daigas Group's expanding business domains. In addition, we changed our organization to a company with an Audit and Supervisory Committee, separating execution and supervision, and strengthening supervisory functions to improve the speed and soundness of management.

Furthermore, through organizational restructuring, we will work to further strengthen our electricity business and new business creation functions.

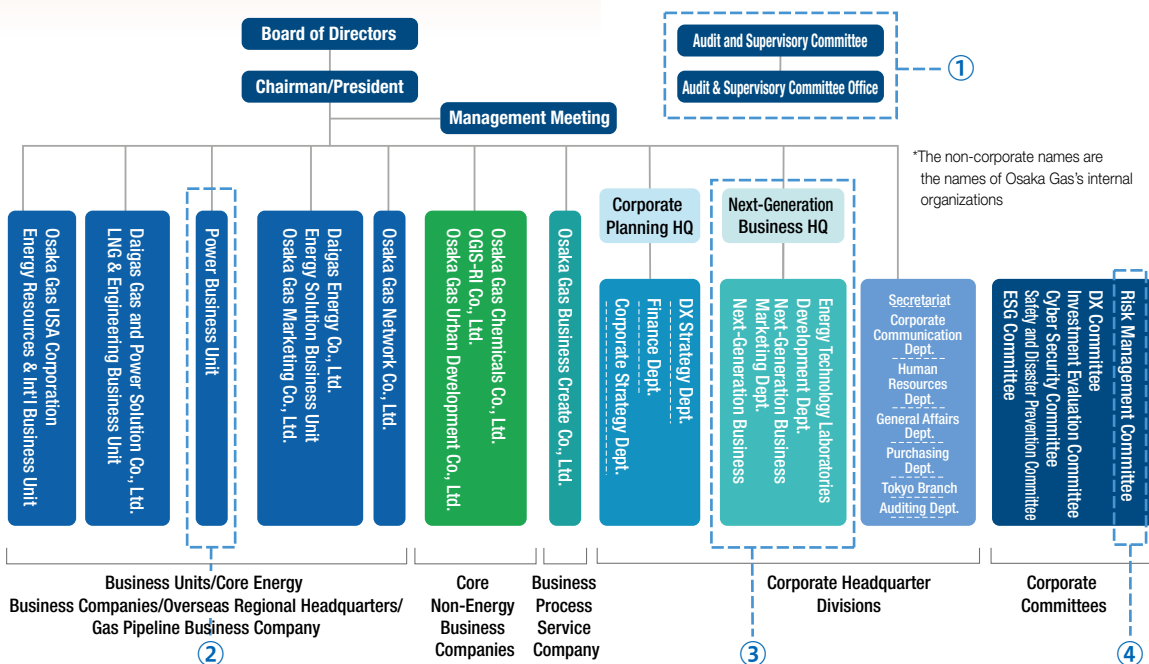
Initiatives through FY2024.3

With the aim of achieving sustainable growth and increasing corporate value over the medium and long term, we conducted fair and prompt decision-making and efficient and proper execution of business. Specifically, we worked to enhance the diversity of the Board of Directors, taking into account knowledge, experience and gender, including the increase of the percentage of Outside Directors. In addition, we have worked to enhance the governance system through establishment of stock-based remuneration system, introduction of remuneration system linked to ESG indicators achievement, establishment of the Advisory Committee on management, and appointment of Outside Director as chairperson of the Advisory Committee.

Issues

Amid further changes in the business environment such as the acceleration of the trend toward carbon-neutrality and heightened geopolitical risks, we need a management system that grasps social issues from diverse perspectives, appropriately manages risks, and collaborates with stakeholders to promptly create value.

Initiatives implemented under the Medium-Term Management Plan



- Transition to a company with an Audit and Supervisory Committee**
Our organization changed from a company with an Audit & Supervisory Board to a company with an Audit and Supervisory Committee to enhance discussions on management policies and strategies by the Board of Directors and other bodies, further strengthen supervisory functions, and make flexible decisions.
Please see □□P.64 for details of transition to a company with an Audit and Supervisory Committee.
- Transforming the electricity business into a business unit**
For the purpose of responding quickly and flexibly to changes in the environment, we established the Power Business Unit by spinning off the electricity business, which had been operated under the LNG, Power & Engineering Business Unit, to realize more highly specialized management.
Please see □□P.13, P.37 for details of electricity business.
- Consolidating new business creation functions**
We have consolidated functions responsible for the search for new businesses through acquisitions, etc., mainly in the peripheral energy fields, and for the search and commercialization of new businesses in other domains through technological development and collaboration with venture companies as the Next-Generation Business HQ, including research institute.
Please see □□P.41 for details of the new business creation.
- Establishing the Risk Management Committee**
The Risk Management Committee was newly established as a corporate committee to comprehensively manage the risks of the Daigas Group's expanding business domains.
Please see □□P.72 for details of risk management.

Advancing Business Transformation Through DX

Recognition of External Environment

In the times when everything is connected via digital technology and evolves rapidly, how we compete to offer services to customers is completely different from conventional approaches. Under such circumstances, our business operation needs to respond quickly and flexibly to changes. Accelerating both value provision through new service development and productivity increase through operational process reform will lead to enhanced competitiveness.

Review of FY2024.3 and Future Strategy

In FY2024.3, we enhanced human resource development and other structures to promote DX, worked to transform customer experience in the residential segment, and worked on Daigas X (Daigas transformation), which enhances value for employees and the company by reforming how to execute work.

Under a robust structure, we will continue to promote new service development and operational process reform by creating mutual synergy, and evolve the Group's corporate activities.



Daigas Group's DX Strategy

[Main initiatives]

1 New Service Development

We will offer various services with higher value by incorporating trends and the diverse needs of customers without delay. Services here do not only refer to the new businesses, but also encompass the enhancement of existing businesses that lead to an increase in the number of customer accounts, business opportunities, sales, etc.

To this end, utilizing valuable assets such as data becomes increasingly important. For example, we will make use of customer data and provide 1-to-1 communication that proposes optimal services at optimal timings for customers. In addition, we will accelerate the trial and error cycle and foster Group-wide customs and mindsets that enable the Group to move forward with new initiatives aggressively and quickly.

2 Operational Process Reform

We will also focus on merging and abolishing operations as well as standardizing and aggregating different procedural operations among organizations to broadly redesign the entire operational process.

In addition, we will improve operational efficiency by incorporating SaaS^{*2}, generative AI, and other digital technologies into business operations. Simultaneously, we will reform ways of work and how to proceed with tasks through Daigas X. This will make room for deepening highly specialized operations and lead to better value provision to customers.

^{*2} SaaS: A service that allows users to use software via a network, such as the internet

3 DX Promotion Structure Enhancement

We established group-wide systems and structures to promote DX, with stronger collaboration with OGIS-RI Co., Ltd. in charge of the IT solution business. In addition, The Group will accelerate DX by demonstrating its collective strength and strengthening its human resources and structures through the development of core personnel who will be responsible for promotion and business transformation.



Key Initiatives

The Daigas Group is driving forward initiatives in line with its DX strategy. In order to promote employee understanding, the progress, results, etc. of specific initiatives are communicated through the internal portal website.

1 New Service Development

Creation of new customer experience

To keep providing value to customers, we have started to transform our business activities toward what we aim to be in 2030. A project has been launched involving approximately 70 employees from residential business divisions*1, which perform customer-facing activities; the DX Strategy Dept., which promotes DX; and OGIS-RI Co., Ltd. The project is restructuring our business operations and systems that support those operations, taking a customer-oriented approach. We are trying out new ways of working that incorporate Agile "Forms"*2 in proceeding with tasks, which allows us to adapt quickly to changes in the circumstances.

We will continue with these initiatives, and define what we aim to be and promote transformation in businesses other than residential as well.

*1 Please refer to P.40-P.41 for examples of FY2024.3 activities in services for residential customers

*2 An agile approach is a method where minimally required output is generated during short cycles and improvements are made based on feedback

2 Operational Process Reform

Transforming employee experience through Daigas X (Daigas transformation)

Daigas X, in full-scale operation since FY2024.3, rolls out activities that aim to enable diverse human resources to take on challenges, keep learning, and grow, as well as to let us speedily explore and deepen our understanding of unprecedented changes. Discussions were also held in each organization on where they aim to be and what actions to take, in light of the situation of each organization and on the frontline. A total of 4,400 employees participated in the discussions. Information was shared on initiatives that are producing results, such as the utilization of IT tools to accumulate knowledge across organizational boundaries. From FY2025.3 onward, we will continue with the discussions in each organization, identify issues, and advance transformation.

System reform

In FY2024.3, we introduced SaaS in such operations as sales, accounting, and internal communications, promoting operational reforms.

We offered an environment where employees can try using generative AI, with information security guaranteed. More than 700 employees used it, and we confirmed that efficiency improved in such tasks as summarizing documents and drafting answers to inquiries. Going forward, we plan to expand the scope of use while paying attention to the accuracy of information, security, and other issues.

In FY2025.3, we will introduce an environment where all employees can use generative AI, accelerating new value creation and operational reform even further.



Aims of "Daigas X" are communicated and shared within the Group

3 DX Promotion Structure Enhancement

Promotion structure that aims to integrate business with digital

In FY2024.3, a new training program for managers was launched to improve their skills and transform their mindset. This adds to the lectures by and dialogues with external experts in place for the management since the previous year. We also enhanced the development of DX core staff, who play a core role in DX promotion. By implementing a development program that includes lectures, OJT, and feedback interviews and taking other measures, we have developed a total of approximately 180 DX core staff members as of April 2024. In addition, we offered a self-learning support program on DX for all employees, and approximately 700 employees took the program.

Furthermore, OGIS-RI Co., Ltd. offers DX Practical Training, which is a service where IT professionals work together with organizations to help resolve issues. More than 100 cases a year were submitted for consultation. There was a case where using IT tools in answering inquiries halved the hours spent on the task. The training also functions as an opportunity to gain experience on DX while implementing the transformation. With these initiatives, we aim to build a system where top-down and bottom-up approaches create synergy.

Development Program by Job Level

Job level	Development program
Management	<ul style="list-style-type: none"> Lectures by and dialogues with external experts held about once a month (approx. 20 participants)
Managers	<ul style="list-style-type: none"> Rollout of videos and textbooks to gain basic knowledge, group training for part of managers
DX core staff	<ul style="list-style-type: none"> Development program including lectures, OJT, and interviews (developed a total of approx. 180 employees)
All employees	<ul style="list-style-type: none"> E-learning, courses for obtaining qualifications Share lectures for the management Offer a self-learning support program that mainly consists of online learning