

Financial Strategy Overview by the President of the Corporate Planning HQ

Strategic Execution of the Medium-Term Management Plan 2026: A Path to Elevating Our Corporate Value.

Representative Director and Executive Vice President

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Corporate Value Enhancement and the Targets of the Medium-Term Management Plan 2026

Prioritizing capital efficiency to enhance our sustainable corporate value, we adopted ROIC as a key performance indicator in our Medium-Term Management Plan 2023, announced in March 2021. In the Medium-Term Management Plan 2026, announced in March 2024, we introduced ROE as a new management indicator alongside ROIC. To achieve financial stability and optimize our asset portfolio, we have conducted a thorough review of our shareholders' equity ratio and debt-to-equity ratio targets. As a result, we have set target values of 45% or higher for the shareholders' equity ratio and 0.8 or lower for the debt-to-equity ratio.

Investors have expressed their expectations for us to meet medium-term targets, including ROIC and ROE. Additionally, they have shared valuable insights on improving PBR, increasing EPS, and enhancing corporate value through effective equity management.

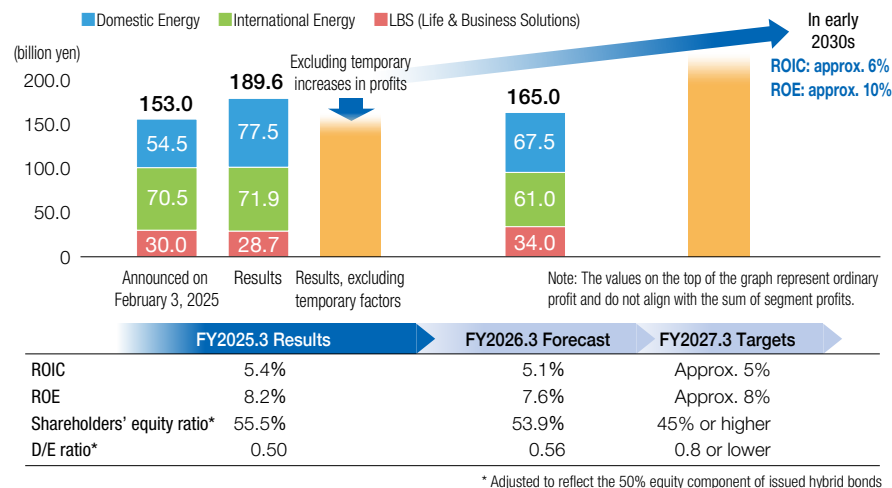
To meet these expectations, we will focus on maximizing our sustainable corporate value by increasing profits through investments for growth in line with the strategies outlined in the Medium-Term Management Plan 2026, while also executing sound financial measures.

FY2025.3 Performance and Challenges

In FY2025.3, the first year of the Medium-Term Management Plan 2026, we exceeded all our initial forecasts for operating profit, ordinary profit, and profit attributable to owners of the parent. This strong performance was driven by time-lag profits, gains from electricity market transactions, and non-operating income and expenses. As a result, our ROIC surpassed 5% and our ROE exceeded 8%, although these figures were influenced by temporary factors. We recognize the importance of consistently achieving the Medium-Term Management Plan targets of 5% ROIC and 8% ROE. To that end, we will intensify our efforts to enhance the capabilities of each business and pursue more efficient management.



Segment profit



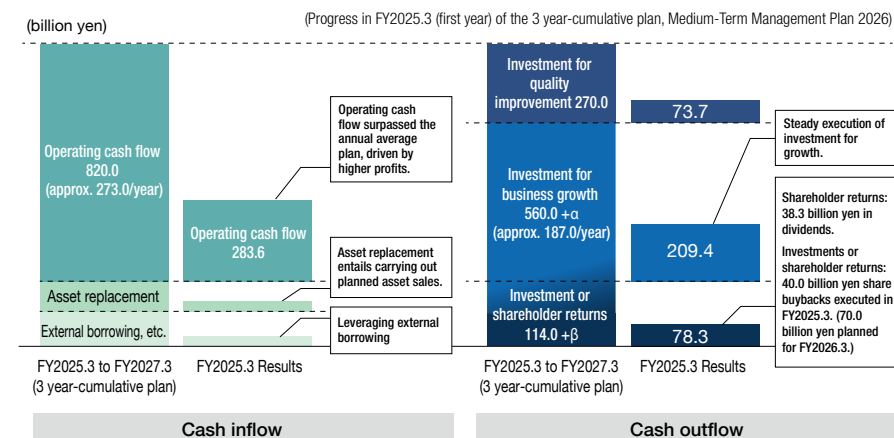
Update on Investment for Growth and Cash Allocation

The Medium-Term Management Plan 2026 aims to increase cash inflow over these three years by generating a total of 820.0 billion yen in operating cash flow and replacing assets in our portfolio to improve ROIC. In FY2025.3, the first year of this medium-term period, operating cash flow demonstrated strong progress, surpassing the annual average outlined in the three-year plan, thanks to profit growth. Additionally, we successfully executed the sale of cross-held shares and other assets as part of our asset replacement strategy.

In terms of cash outflow, we plan to allocate 270.0 billion yen for quality improvement, 560.0 billion yen for business growth, and 114.0 billion yen for shareholder returns over these three years. This allocation ensures that our investment levels are aligned with sustainable growth. Additionally, we have designated specific allocations (labeled α and β on the graph) for additional investments for growth and shareholder returns to achieve our medium-term goals and 2030 targets. Through this framework, we aim to maximize investment opportunities in promising growth projects while flexibly providing shareholder returns.

In FY2025.3, we invested 73.7 billion yen in quality improvement and 209.4 billion yen in business growth. In the area of quality improvement, despite some delays in

Advances in cash allocation

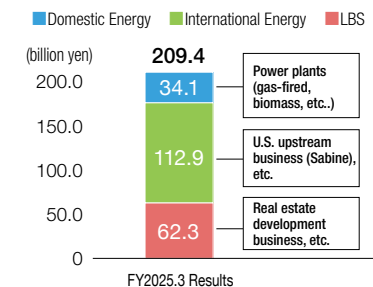


system investments, we successfully executed our planned investments to ensure a safe and stable gas supply, including upgrades to aging gas pipelines. For business growth, our focus centered on the Himeji Natural Gas Power Plant and other electricity projects in Japan, as well as shale gas development in the U.S., additional funding for the city gas distribution business in India, and real estate development in Japan. Through these efforts, we have paved the way for steady profit growth in the future.

In FY2025.3, we primarily allocated the quotas (α and β) for investment in growth and shareholder returns to share buybacks, aiming to manage our shareholders' equity.

Capital Efficiency Enhancement through Disciplined Asset-Light Management

In the Medium-Term Management Plan 2026, we are not only focusing on steady investments for growth but have also prioritized evolving the business foundation as one of our Three Commitments. These commitments highlight our strategic asset-light management approach, which serves as a vital guideline for achieving medium- to long-term business growth while enhancing capital efficiency. Our goal is to strengthen our business portfolio effectively.



To achieve sustainable growth in our corporate value while investing in the CN sector and future business development, it is essential to cultivate an asset-light management mindset throughout the Group.

Asset-light management focuses on identifying the core drivers of a business's added value and competitiveness. It strategically retains those assets that deliver maximum value through ownership. For other assets, where ownership may not be advantageous, this approach flexibly explores alternative forms of asset holding to ensure optimal resource allocation through effective means, including the use of external capital. Based on this strategy, in FY2025.3, we systematically divested our U.S. thermal power plants and sold cross-held shares. We also allowed each business department to autonomously pursue asset efficiency enhancement, such as our renewable energy operation leveraging offtake agreements and external funds, as well as our real estate business utilizing private REITs.

Progressive Dividend Policy and Enhanced Shareholder Returns

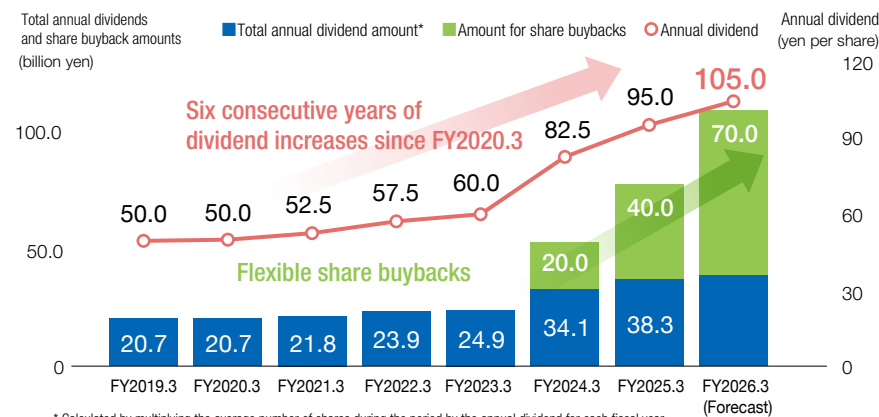
To align more closely with shareholder expectations, we have significantly enhanced our shareholder return policy as part of the Medium-Term Management Plan 2026. Specifically, we have clarified our ongoing commitment to progressive dividends, which avoid dividend cuts and ensure that dividends either grow or remain stable in line with our business expansion. Additionally, we have shifted our approach to determining dividend levels from the traditional payout ratio—often tied to annual profits—to

dividend on equity (DOE), which provides greater stability against short-term profit fluctuations. With a 3.0% DOE as our new target, this stable, long-term dividend growth policy enhances dividend predictability for investors, bolstering their confidence in long-term stockholding, even amidst significant changes in the business environment and fluctuations in short-term profits.

Under this new policy, we aim to distribute a dividend of 95 yen per share in FY2025.3 and 105 yen in FY2026.3, marking six consecutive years of dividend increases since FY2020.3. To manage shareholders'

equity and achieve our target ROE of 8%, we plan to repurchase 70.0 billion yen of our own shares in FY2026.3, following a buyback of 40.0 billion yen in FY2025.3. We are dedicated to achieving the appropriate levels of returns for our shareholders.

Trends in dividends and share buybacks



Shareholder return policy (effective as of FY2025.3)

- **Introduction of progressive dividends** (with a policy to increase or maintain dividends, avoiding any cuts)
- **Dividend on Equity (DOE) at 3.0%**
(calculated on shareholders' equity excluding accumulated other comprehensive income, which is not influenced by short-term profit fluctuations)
- Implementation of flexible additional shareholder returns

Investment Risk Management at the Daigas Group

As we proceed with our investments, we will uphold our established and rigorous risk management framework and implement the following four measures.

- 1. Assessing Alignment with Business Strategy:** We assess the alignment of investments with the business strategies outlined in the Medium-Term Management Plan 2026. This assessment will consider multiple factors, including the profitability of individual projects, their synergies with other Group businesses, and their contribution to enhancing our operational capabilities.
- 2. Evaluating Inherent Risks:** We establish hurdle rates according to each project's specific characteristics and capital costs, ensuring alignment with group-wide investment standards. The Investment Evaluation Committee conducts a thorough review and discussion of each project, incorporating input from the Investment Risk Management



Office, as well as internal finance and legal teams. When necessary, we also seek impartial evaluations from external experts to support our decision-making process.

- 3. Maintaining Balance with Financial Soundness:** We evaluate potential losses that could arise if risks materialize after investment. We actively manage our shareholder equity as a risk buffer and seek the appropriate balance across our Group-wide asset portfolio. This approach ensures our financial soundness and enables us to continue investing for steady growth, even in challenging circumstances.
- 4. Post-Investment Follow-Ups:** After making investments, we conduct annual follow-ups to evaluate the portfolio's challenges and direction. Each project is scrutinized to ensure it continues to meet its original strategic objectives, maintains smooth progress, and demonstrates sound profitability while effectively adapting to changes in the business environment. Based on our evaluation results, we consider not only implementing improvements but also the potential for divesting or exiting businesses if necessary.

Execution of Our CN Strategy through the Proactive Use of Transition Finance

Since FY2023.3, we have consistently raised funds through transition finance dedicated to initiatives aligned with a long-term goal to reduce corporate greenhouse gas emissions. By effectively communicating our CN strategies and goals through the Energy Transition 2030 initiative announced in March 2023 and the Energy Transition 2050 initiative announced in February 2025, we have gained understanding and support from corporate bond investors and financial institutions. As a result, we have secured funds for executing our CN

■ Daigas Group's Transition Finance

	Month of issue	Amount	Use of funds
1st Transition bonds	June 2022	10.0 billion yen	Inami Wind Power Plant, Noheji Mutsu Bay Wind Farm, Yokohama Town Wind Power Plant, Daigas Oita Mirai Solar Power Plant, and projects that contribute to customer facilities' fuel conversion to natural gas
2nd Transition bonds	September 2022	27.0 billion yen	Kuwaharajou Mega Solar (No.4), the Extra-high-voltage Power Plant in Isohara-cho, Kitaibaraki City, Ibaraki Prefecture, Himeji Natural Gas Power Plant
Transition loan	January 2023	35.0billion yen	Himeji Natural Gas Power Plant
3rd - 5th Transition bonds	June 2023	35.0 billion yen	Himeji Natural Gas Power Plant
Transition-linked bonds	May 2024	25.0billion yen	None
Transition-linked loan	September 2024	30.0billion yen	None

strategies, positioning us as the first gas utility in Japan utilizing transition loans, transition-linked loans, and transition-linked bonds. We believe that actively utilizing transition finance for both bonds and loans will encourage more financial institutions to recognize and support our Group's transition strategies.

Prioritizing CN-related businesses is one of the Group's foremost objectives. Recognizing transition finance as an effective funding tool to support this goal, we will continue to leverage it strategically.

* Source: Osaka Gas' research based on publicly available information

TOPIC

Osaka Gas Awarded the Gold Prize (Minister of the Environment Award) at the 6th ESG Finance Awards Japan

In February 2025, Osaka Gas was honored with the Gold Prize (Minister of the Environment Award) in the Fundraisers Category at the 6th ESG Finance Awards Japan, organized by the Ministry of the Environment. This prestigious recognition acknowledges our ongoing efforts in fundraising through transition finance and communicating our strategies through investor relations, making us the first in the energy sector to receive this accolade. We were commended for designing and executing an advanced financing scheme aimed at achieving the transition to decarbonized thermal energy as a key management goal, supported by practical and concrete transition strategies.



Engagement in constructive dialogue with shareholders and investors

Constructive dialogue with shareholders and investors is crucial for achieving the goals of the Medium-Term Management Plan 2026 and sustainably enhancing our corporate value. In FY2025.3, during my first year as the President of the Corporate Planning HQ, I engaged with shareholders and investors through individual and small group meetings, which provided valuable insights. We recognize that the feedback we receive is vital for refining our business strategy and boosting our corporate value, and we will effectively incorporate it into our operations.

To underscore management's commitment, we have revised the performance-linked remuneration metrics for executive officers. Consequently, as of July 2024, ROE and other indicators replaced the previous metric of profit attributable to owners of the parent. Additionally, the proportion of stock-based compensation was increased.

Through these efforts, we aim to reinforce management's commitment to achieving the objectives of the Medium-Term Management Plan 2026 while also fulfilling the expectations of our shareholders and investors.