What Value is the Daigas Group Creating Today?

The Daigas Group has announced its Medium-Term Management Plan 2026, which strives to achieve sustainable growth with a view to realizing a carbon neutral society by 2050, by promoting both growth during the transition period and the establishment of a business foundation for the future. In the plan, the Group has set out the key strategy: the Three Commitments. We are working to "co-create value for a sustainable future" through carbon neutral energy, "support employees to shine in their roles" as a source of value creation, and "evolve the business foundation" by promoting ROIC-focused management.

In this chapter, we will introduce the progress of each initiative.

Courtesy of Freeport LNG Development.L.P.

Value Creation Practices

Roadmap to Realizing Our Long-Term Management Vision

In 2017, the Daigas Group formulated our Long-Term Management Vision for FY2031.3, with the aim of becoming “an innovative energy & service company that continues to be the first choice of customers,” and achieving carbon neutrality (“CN”) by 2050. In order to realize the Long-Term Management Vision, we formulated a Medium-term Management Plan, and, in light of the risk of a decrease in gas sales volume due to population decline, full energy liberalization, and other factors, we have strengthened our financial base and expanded new businesses through investments aimed at business growth. Since FY2018.3, the International Energy business and Life and Business Solutions (LBS) business have steadily grown, improving cash flow and strengthening our business portfolio. In response to the major environmental change that is the acceleration of the trend towards CN, the Group will contribute to society and to achieving carbon neutrality in energy through the spread of renewable energy and the development of e-methane technology. We will work to ensure sustainable business growth and profits by responding quickly and flexibly to the development, power generation, and advanced use of natural gas during the transition period.

FY2018.3–FY2021.3

Medium-Term Management Plan 2020

[Key Strategy]

- Providing solutions for residential customers
- Providing solutions for commercial and industrial customers
- Establishing competitive power-supply portfolio
- Developing pipeline network business
- Efforts to expand International Energy business
- Securing a business footing in the LBS business and exploring new business fields

Key Points of Initiatives

Viewing the dramatic changes in the business environment such as energy liberalization as an opportunity, we have developed new products and services. We have strengthened our business portfolio that the expansion of profits of the International Energy business through active investment for growth and the steady growth of LBS business.

FY2022.3–FY2024.3

Medium-Term Management Plan 2023

[Key Strategy]

Ⅰ. Co-create value for a sustainable future
- Achieving a low carbon/carbon neutral society
- Establishing lifestyles and businesses adjusted to the new normal
- Enhancing resilience of customers and society

Ⅱ. Evolve our corporate group
- Enhancing business portfolio management
- Promoting business transformation with DX
- Maximizing value for each employee

Key Points of Initiatives

In the face of the need to rapidly respond to restrictions on activities and diversifying work styles and attitudes due to the spread of COVID-19, we have promoted operational reforms using DX. In response to the further acceleration of the decarbonization trend, we have promoted the construction of supply chains both in Japan and overseas with a view to the social implementation of e-methane. And under the banner of ROIC-focused management, we have promoted efforts to improve the earning capacity of each business and build a robust business portfolio.

FY2025.3–FY2027.3

Medium-Term Management Plan 2026

[Key Strategy]

The Three Commitments

Co-create value for a sustainable future
- Providing carbon neutral energy
- Enhancing resilience of customers and society
- Co-creating advanced, diverse solutions that meet customer values

Support employees in shine in their roles
- Creating a work environment where employees and the company resonate and enhance each other

Evolve the business foundation
- Maintaining and improve the soundness and flexibility of management foundation

2030 Realizing Long-Term Management Vision

2040 Technological innovation and practical application

2050 Realizing carbon neutrality

Please see 📖 P.24 to P.38 for the progress of each initiative.

Backcasting

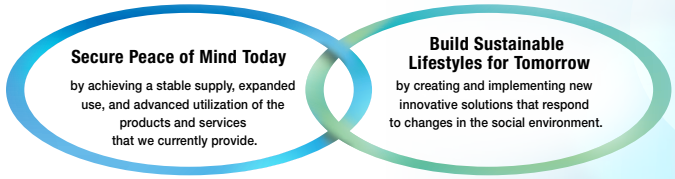
Medium-Term Management Plan 2026

Connecting Ambitious Dreams

The year 2030 will be a turning point for the Daigas Group to accelerate its initiatives to achieve carbon neutrality by 2050. The period from FY2025.3 to FY2027.3 will be focused on embodying our aspiration and building bridges to our future, which we refer to as “Connecting Ambitious Dreams,” by building a foundation to accelerate our carbon neutral initiatives to meet our 2030 targets while contributing to the energy transition and fulfilling our responsibility of a stable energy supply.

Daigas Group’s Aspiration for the Future

Secure Peace of Mind Today, Build Sustainable Lifestyles for Tomorrow



To fulfill the Daigas Group’s Corporate Principles and aspiration

Major non-financial targets

● Society-wide avoided emissions	7 million tons/year	● Development of DX core staff	300 employees
● Customer accounts	10.9 million	● Female directors	25% or higher

Identified materiality

In formulating the Medium-Term Management Plan 2026 (FY2025.3–FY2027.3), the Daigas Group recognized changes in the business environment and new challenges, and reviewed materiality.

Please see this page for details. >>> **Sustainability Management** P.47

Medium-to Long-Term Target (FY2031.3)

Ordinary profit	Approx. 200 billion yen	
ROIC	Approx. 6 %	early 2030s
ROE	Approx. 10 %	

Medium-Term Management Plan Target (FY 2027.3)

ROIC	Approx. 5.0 %
ROE	Approx. 8.0 %
Shareholders’ equity ratio	45 % or higher
D/E ratio	0.8 or lower

Investment for growth (Cumulative total for FY2025.3 –FY2027.3)

Total investment for growth over 3 years (of which, investment in carbon neutral initiatives)	560 billion yen (100 billion yen)
Domestic Energy	185 billion yen
International Energy	225 billion yen
LBS	150 billion yen

Shareholder returns

Progressive dividends	Dividend on equity (DOE) : 3.0%	Executing additional shareholder return policy flexibly

Special Feature

Daigas Group Energy Transition 2050

The Daigas Group has announced its ambition to achieve carbon neutrality ("CN") by 2050 through publication of its "Carbon Neutral Vision" (January 2021), and has outlined its approaches and specific strategies for the energy transition by 2030 in "Energy Transition 2030" (March 2023).

Since then, we have deepened our activities, while being faced with increasing international geopolitical risks, such as Russia's invasion of Ukraine, as well as even greater demands to achieve both carbon neutrality and energy supply stability. In light of this situation, we formulated "Energy Transition 2050" in February 2025, which clarifies our energy transition roadmap for achieving carbon neutrality by 2050.

Energy Transition 2050 summarizes the "Comprehensive Overview of Carbon-Neutral Strategy," "Low-Carbon and Carbon-Neutral Energy Initiatives," and "Daigas Group's Solutions for Customers," and outlines our approaches, initiatives, and co-creation with our customers.

Carbon Neutral Vision
(released in January 2021)

Energy Transition 2030
(released in March 2023)

Energy Transition 2050
(released in February 2025)

Challenges Regarding Energy Supply and the Daigas Group's Principle

Our basic approach to energy supply is S+3E*1, in which balancing the three Es is essential for the transition to low-carbon and decarbonized energy.

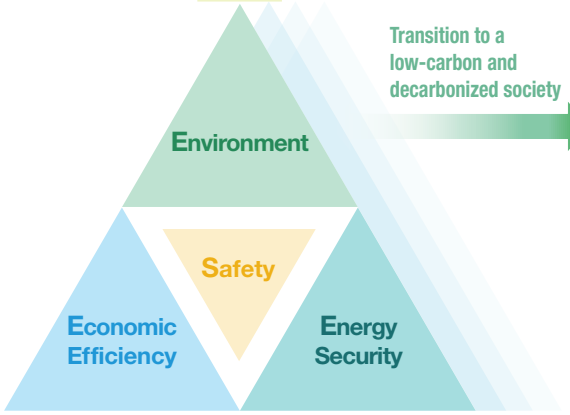
However, switching to environmentally friendly energy currently leads to increased costs and reduced supply stability when the supply chain is not yet established. This relationship is referred to as the "3E trilemma," and the Daigas Group will challenge itself to satisfy all three Es simultaneously. In particular, because Japan is not blessed with natural resources and has a low energy self-sufficiency rate of 12.6%, it relies on energy imports from overseas. As a result, it is necessary to pay close attention to changes in the international situation and global energy policies.

In light of this background, the Group's fundamental principle is to prioritize supply stability while ensuring safety as a cornerstone, and to offer our customers a variety of environmentally and economically friendly options.

■ Japan's energy Policy

Achieving S+3E is considered important in Japan's energy policy. The Seventh Strategic Energy Plan, approved by the Cabinet in February 2025, outlines a new policy direction for 2040, placing emphasis on natural gas in a balanced manner with the country's basic policy of S+3E, and indicating a policy of prioritizing a stable supply of energy on the premise of safety.

Fundamental Principle for Energy Supply
S+3E



Transition to a low-carbon and decarbonized society

3E trilemma in energy supply

Addressing the challenge of simultaneously fulfilling all the three Es through the Daigas Group's initiatives

Environment	⬆	Economic efficiency ⬇ (High-cost CN energy) Energy security ⬇ (Unevenly-located CN energy plants)
Economic Efficiency	⬆	Environment ⬇ (Conventional energy less costly, emitting more CO_2) Energy security ⬇ (Conventional energy more stable in supply)
Energy Security	⬆	Economic efficiency ⬇ (Increased costs due to multiplexing and decentralization) Environment ⬇ (Weather-dependent renewable energy)

Risks to consider in energy supply

- International affairs (international conflicts)
- Geopolitics (low energy self-sufficiency)
- Natural disaster (earthquakes, typhoons)
- Pandemic (COVID-19)
- Regulation (carbon pricing)
- Foreign exchange (yen depreciation)

⋮

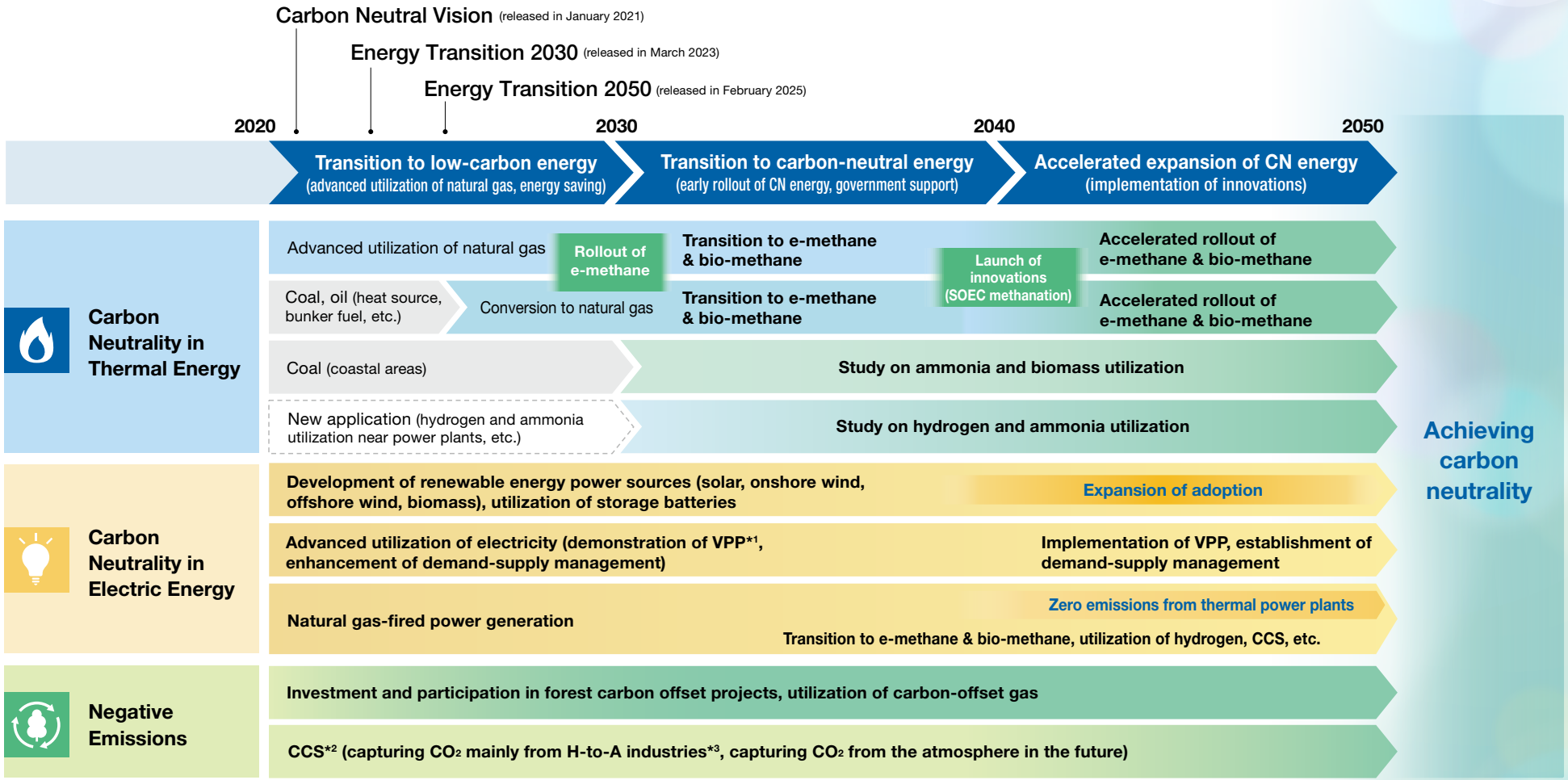
Japan's energy self-sufficiency:12.6%*2
→Reliance on energy imports

*1 S+3E: Safety, Energy Security, Economic Efficiency, and Environment
*2 FY2023.3 Energy Supply and Demand Results (confirmed report)

Roadmap to Low-Carbon and Carbon-Neutral Energy

As carbon-neutral (CN) energy remains relatively expensive at the current stage, we believe a phased transition is essential to minimizing social costs.

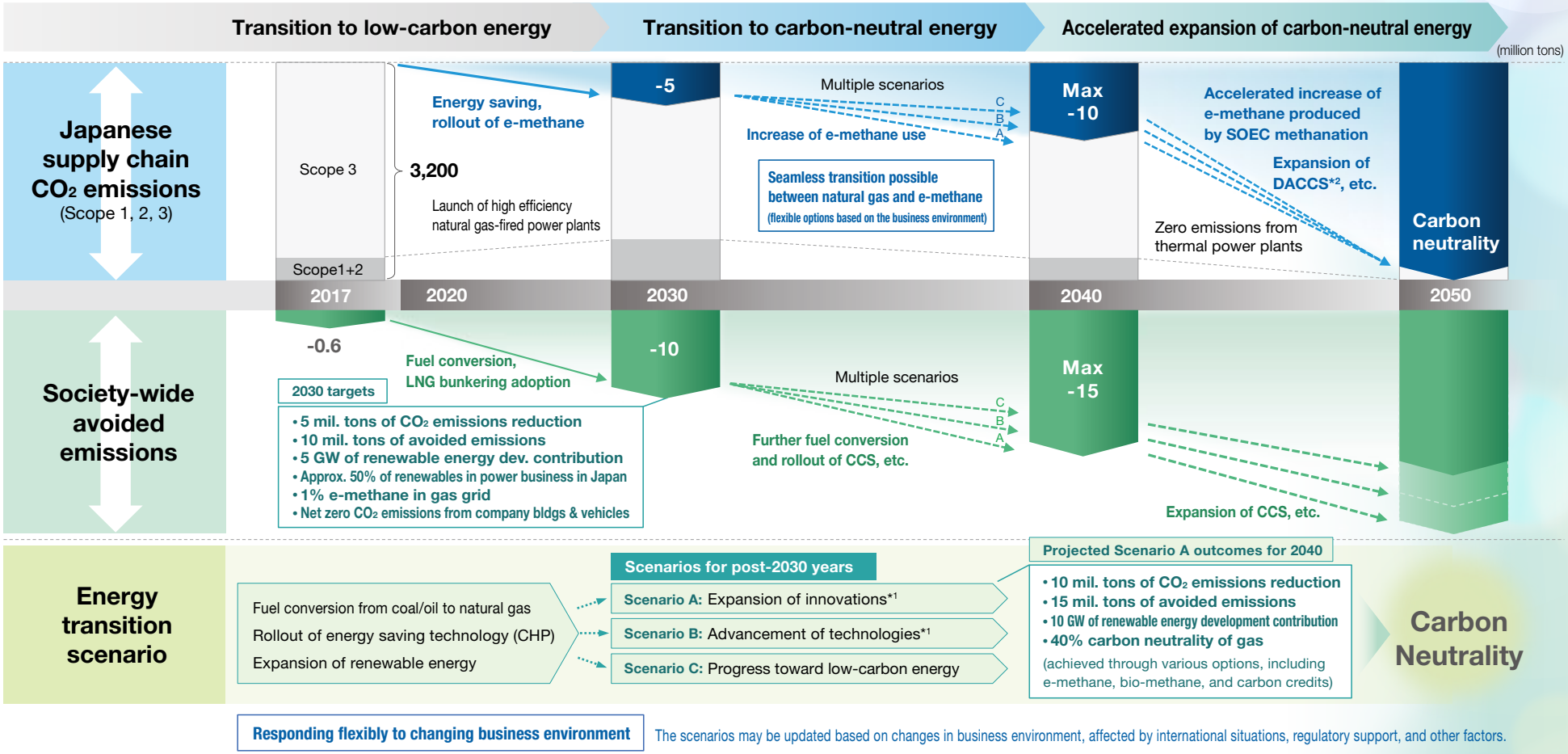
In line with this approach, we will drive the energy transition by reducing carbon emissions through energy savings and existing technologies until 2030, shifting to carbon neutrality with CN energy from 2030, and accelerating the growth of CN energy through innovation from 2040. Through these efforts, we will fulfill our role as a comprehensive energy company in achieving carbon neutrality with stakeholders while delivering optimal solutions in light of S+3E.



*1 Virtual Power Plant: Operating as a single power generation facility by integrating and controlling distributed energy sources through an aggregator, utilizing information and communication technology.
*2 Carbon dioxide Capture and Storage
*3 H-to-A (Hard-to-Abate) industry: Sectors in which CO2 emissions reduction is challenging

Roadmap to CO_2 Emissions Reduction

The Daigas Group has formulated a CO_2 reduction roadmap to achieve a CN society in 2050.
With the current emphasis on energy security, the country's energy supply and demand outlook for 2040 requires a variety of scenarios, including risk cases.
Based on this, the Group had considered multiple scenarios for 2040, including the scenario assumed by the government. Below are the estimated values based on the scenario of "Expansion of innovations," in which assumes the maximum progress toward carbon neutrality. This is merely one scenario, and we intend to determine its feasibility by around 2030, and to review the scenario, taking into account international situations and trends in regulatory changes.



*1 Energy demand and supply outlook scenarios from Japan's Seventh Strategic Energy Plan.
*2 Direct Air Carbon Capture and Storage: Technology that combines DAC for separating and capturing CO_2 with CCS for underground storage.

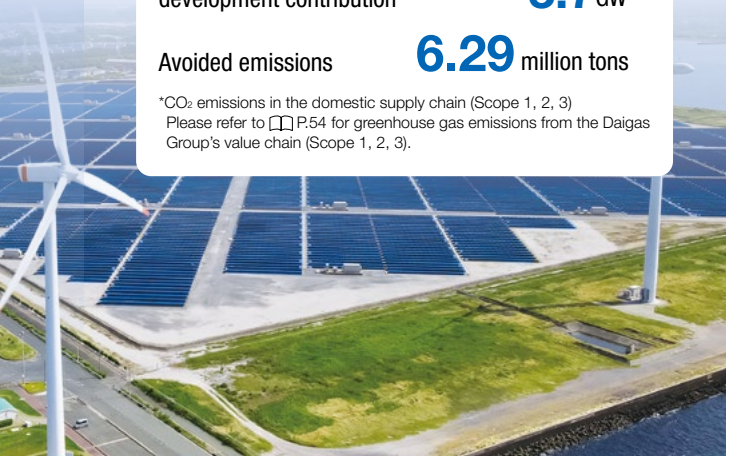
Providing Carbon Neutral Energy

Working toward carbon neutrality in thermal energy, we will promote the widespread and advanced use of natural gas, a low-carbon energy. We will also accelerate the development of technologies such as e-methane and the construction of supply chains. To achieve carbon neutrality in electric energy, we will further develop renewable energy sources, aiming for a stable supply of electricity and zero emissions from natural gas-fired power generation. Furthermore, we will work on negative emissions that absorb and remove CO_2.

FY2025.3 Results

CO_2 emissions of the Daigas Group	**23.44** million tons*
Percentage of renewables in our power generation portfolio in Japan	**30.4** %
Renewable energy development contribution	**3.7** GW
Avoided emissions	**6.29** million tons

*CO_2 emissions in the domestic supply chain (Scope 1, 2, 3)
Please refer to P.54 for greenhouse gas emissions from the Daigas Group's value chain (Scope 1, 2, 3).



To achieve CN by 2050, the Daigas Group is taking a multifaceted approach to carbon neutrality in thermal energy, carbon neutrality in electric energy, and negative emissions. Each business unit is formulating specific plans to achieve the management plan targets for FY2031.3.

In the following pages, we report on the progress of technological development related to carbon neutral thermal energy and negative emissions initiatives, aimed at the 2024 to 2026 targets in the Medium-Term Management Plan 2026.

For other specific initiatives, please see Business Strategies by Segment.

Accelerating initiatives	Main initiatives	Main targets* (2024–2026)
Carbon Neutrality in Thermal Energy	● Conversion of coal and oil to natural gas and LNG P.40 ● Advanced use of natural gas P.40 ● Expansion of the use of natural gas Expansion of sales of highly efficient energy-saving equipment P.40 Expansion of shale gas development and city gas business overseas P.43 Expansion of LNG bunkering business ● Development of innovative technologies such as e-methane and bio-methane ● Formulation of e-methane supply chain alliances	● Avoided emissions ● Renewable energy development contribution ● Percentage of renewables in our power generation portfolio in Japan ● CO_2 emissions of Daigas Group ● CO_2 emissions reduction in the Group company offices and vehicles ● Promotion of e-methane practical application ● Promotion of methanation technology development
Carbon Neutrality in Electric Energy	● Development of renewable energy sources P.41 Solar power: Promoting development and expanding use through collaboration with partners Wind power: Promoting development and taking on the challenge of offshore wind power generation in Japan Biomass: Promoting use and development Storage batteries: Entering production of storage batteries that are installed alongside renewable energy sources to stabilize the power grid ● Advanced use of electricity P.41 Demonstrating VPP and advancing demand-supply management system ● Promotion of natural gas-fired power generation P.41 Utilizing natural gas-fired power generation, which is necessary as a coordinator, and promoting zero emissions	
Negative Emissions Initiatives	● Establishment of a CO_2 value chain and Development of CCUS technology ● Investment and participation in forest carbon-offset projects	

*Please see P.49 for more details of the targets.

Providing Carbon Neutral Energy

Carbon Neutrality Initiatives in Thermal Energy

The following are the Daigas Group's initiatives in the development of diverse methanation technologies.

Development of diverse methanation technologies

❶ Existing technology: Initiatives for practical application of Sabatier methanation technology

Jointly with INPEX CORPORATION, we are proceeding 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 CO_2. 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.

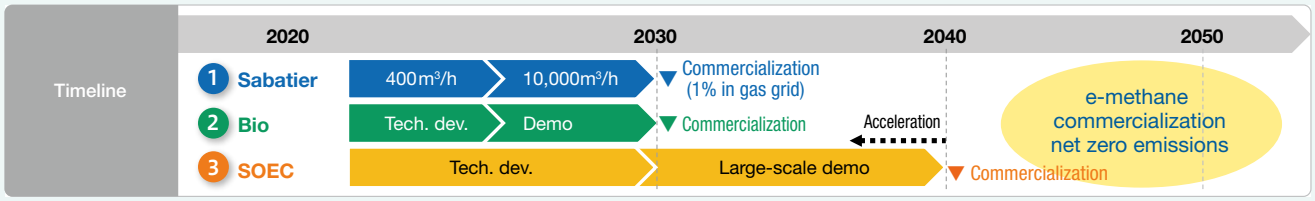
❷ Innovative technology: Promoting the development of biomethanation technology

From May to July 2024, we conducted a demonstration of e-methane production from food waste and renewable energy at the Osaka City Waste Incineration Plant (Maishima Plant), successfully achieving the target production of 5 m³/h of e-methane (methane concentration of 95% or higher). We started to demonstrate this technology*2 at the Osaka/Kansai Expo site from April 2025. Please refer to 🕮 P.30 for details.

❸ Innovative technology: Promoting the development of SOEC methanation technology*3

In June 2024, we completed the lab-scale testing equipment for SOEC methanation and commenced testing. In addition, bench-scale testing is scheduled to begin in FY2025.3. Moving forward, 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 CO_2: 'CO_2 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'"

Sabatier methanation demonstration facility (under construction)

SOEC methanation bench-scale test facility (Completion in June 2025)

Hydrogen and Ammonia Related Technologies

We are also engaged in the exploration, evaluation, and development of hydrogen and ammonia production and combustion technologies to meet our customers' needs.

- Successfully conducted a demonstration test of 30% hydrogen fuel co-combustion. (Daigas Energy Co., Ltd)
- Collaborated with overseas startups on technology evaluation and project development.(Koloma, Inc.: natural hydrogen)
- Developed technology for producing hydrogen from biomass. (Simultaneously producing electricity, hydrogen, and CO_2 using chemical looping combustion technology*4)

*4 NEDO-sponsored projects focused on the "Development of Technologies for Carbon Recycling and NextGeneration Thermal Power Generation/Development of Fundamental Technologies for Next-generation Thermal Power/ Development of technology for a poly-generation system with CO_2 separation/capture capabilities"

Initiatives at the Expo 2025 Osaka, Kansai, Japan

The Daigas Group uses its advanced technology, including the demonstration of methanation technology, to contribute to realizing the theme of the Expo 2025 Osaka, Kansai, Japan, “Designing Future Society for Our Lives.”

©Expo 2025

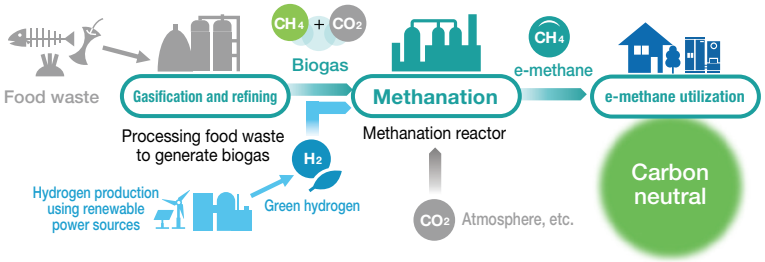
Demonstration of methanation utilizing biogas

In March 2025, we completed construction of the e-methane production demonstration facility “Bakeru LABO” and obtained the first certification for “clean gas production facility”* for Osaka Gas. At this facility, demonstration experiments are being conducted to produce e-methane by synthesizing CO_2 produced by fermenting food waste generated at the venue and CO_2 contained in the air at the venue with green hydrogen through methanation. The produced e-methane is used in the Guest House kitchen at the venue and in city gas consuming equipment such as gas cogeneration facilities. After this demonstration project, while scaling up the methanation facilities, we aim to introduce a system that produces e-methane from renewable energy-derived hydrogen and CO_2 contained in biogas derived from food waste to waste incineration plants and food processing plants mainly in the Kinki region by 2030.

*Certification of clean gas production facility: Our company has been certified under the Clean Gas Certificate Program, which was launched in April 2024 as a “Biogas/E-methane Production Demonstration Facility at the Venue of Expo 2025 Osaka, Kansai, Japan.” This program will enable us to prove the environmental value of e-methane and biogas, and we plan to obtain certification for the equivalent amount of clean gas in the future.

Appearance of “Bakeru LABO”

Image of a facility tour



Use of SPACECOOL® at the Expo 2025 Osaka, Kansai, Japan

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 is expected that the use of this material will lower the temperature inside the gas pavilion by a maximum of 10 °C in the summer. It not only keeps a comfortable temperature inside the pavilion but also reduces the load of air conditioning, which contributes to reducing CO_2 emissions.

Courtesy of Japan Gas Association

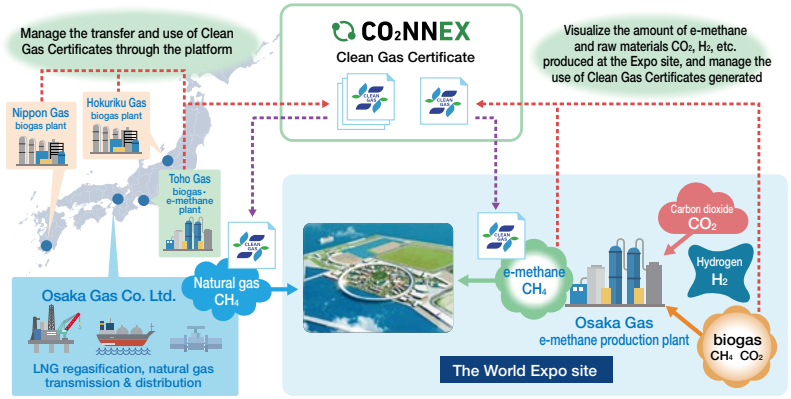
Operation of CO_2NNEX® that enables the transfer of environmental value of e-methane

As more e-methane is supplied in city gas, private operations have begun for clean gas certificates that can transfer the environmental value of e-methane and biogas, similar to non-fossil certificates for electricity. As the trading volume of e-methane and its environmental value will increase in the future, it will be necessary to have a system for transferring environmental value via clean gas certificates.

Osaka Gas and Mitsubishi Heavy Industries, Ltd., have developed CO_2NNEX®*, the first system in the city gas industry that enables the transfer of the environmental value of e-methane, and is operating this system at the Expo 2025 Osaka, Kansai, Japan. At the Expo, CO_2NNEX® is being used to transfer and use clean gas certificates obtained from e-methane and biogas produced nationwide to natural gas supplied by Osaka Gas, contributing to carbon neutrality within the Expo.

*CO_2NNEX is a registered trademark of Mitsubishi Heavy Industries, Ltd.

CO_2NNEX® Clean Gas Certificate Transfer Initiative



Expo site image courtesy of Japan Association for the 2025 World Exposition

Formation of Supply Chain Alliances

For the full-scale introduction of e-methane in 2030, the Daigas Group considers establishing diverse methanation technologies, developing renewable energy sources, and building a supply chain both in Japan and overseas, including the procurement of hydrogen and CO_2 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 cooperate with energy companies in Asia and advance e-methane use not only in Japan but also in Asia.

In December 2024, we, together with seven leading companies (the initial members) in the energy sector, completed the establishment of the "e-NG Coalition"—the world's first international alliance targeting the global expansion of e-methane. Through this alliance, we aim to advance e-methane production projects, contribute to reducing greenhouse gas emissions, and promote decarbonization in the Asian region. Furthermore, by promoting the adoption of e-methane, we seek to help establish an international energy market and contribute to the economic growth of Japan and Asia as a new growth industry. 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.

New energy industry for gas producing countries — **Japan's carbon neutrality and energy security** — **Asia's carbon neutrality through emethane utilization**

e-methane Supply Chain Development in Japan and Oversea

- **Energy security enhancement**
  - Utilizing existing natural gas and LNG infrastructure
  - Reducing geopolitical risks and ensuring stable supply through multiple sources across the world
- **Utilization promotion in Asia**
  - Engaging with energy providers in other Asian countries to promote e-methane utilization

Efforts for establishing international market

e-NG COALITION

- An organization focused on establishing an international market for e-methane and related products, involving 24 companies from Japan, the US, and Europe, including Osaka Gas
- Aiming to increase the participation and sponsorship, enhance the international recognition of e-methane, and establish rules on trading and the environment

(Main collaborators as of the end of July 2025)

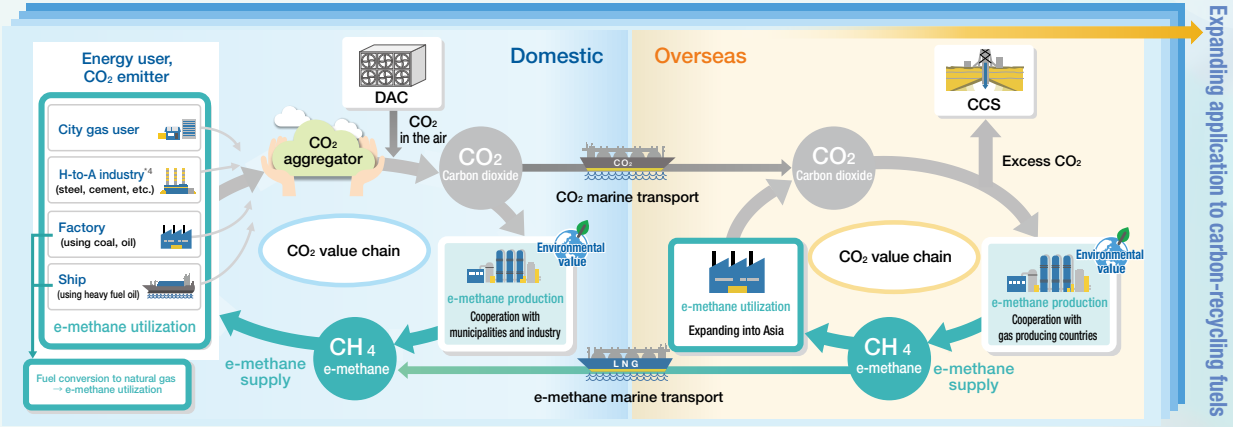
Providing Carbon Neutral Energy

Negative Emission Initiatives

The Daigas Group aims to achieve carbon negativity and is also working to reduce CO_2 emissions from industries where it is difficult to reduce CO_2 emissions, such as steel and cement. We will support our customers' reduction of CO_2 emissions and the sustainable growth of industry by introducing new technologies such as carbon dioxide capture and storage (CCS*1), carbon dioxide capture and utilization (CCU*2), and carbon credit businesses that contribute to CO_2 offsets.

Initiatives for CO_2 Value Chain Development

The Daigas Group will act as an aggregator to collect CO_2 emissions from customers, including the steel, cement, and chemical industries, and will aim to build a CO_2 value chain by combining the production and supply of e-methane through CCU and negative emissions through CCS. We will develop a CO_2 management system ("CO_2NNEX®"*3) that will enable the management of clean gas certificates obtained from e-methane and visualization of CO_2 distribution and promote the expansion of its application to carbon-recycling fuels.



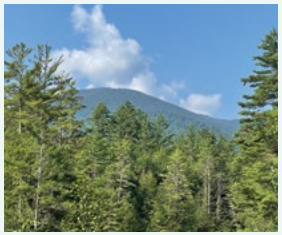
*1 Carbon dioxide capture and storage *2 Carbon dioxide capture and utilization
*3 CO_2NNEX is a registered trademark of Mitsubishi Heavy Industries, Ltd. *4 H-to-A industries: Industries where CO_2 emissions reduction is difficult (Hard-to-Abate)

Initiatives to Improve Forests' CO_2 Absorption Capacity

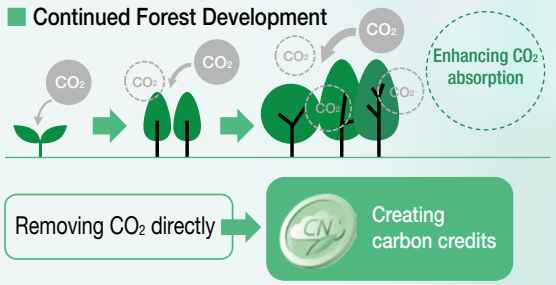
In July 2023, Osaka Gas announced its joint investment, along with nine other Japanese companies, in the East Climate Smart Forestry I ("the Fund") established by the Sumitomo Forestry Group.

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 CO_2 and the production and trading of high-integrity carbon credits.* Approx. 90 thousand hectares of forest assets were acquired as of February 2025.

*Carbon credits are a means of offsetting carbon dioxide emissions that cannot be fully reduced through the use of renewable energy and energy-saving efforts.



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



Initiatives to Assess the Quality of Carbon Credits using Generative AI

In March 2025, Osaka Gas launched GreenChecker, the world's first web service that uses generative AI to assess the quality of carbon credits.

For more details, please see the Sustainability Report 2025.

Enhancing 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.

FY2025.3 Results

Number of serious accidents and serious energy supply disruptions caused by the company **Zero**

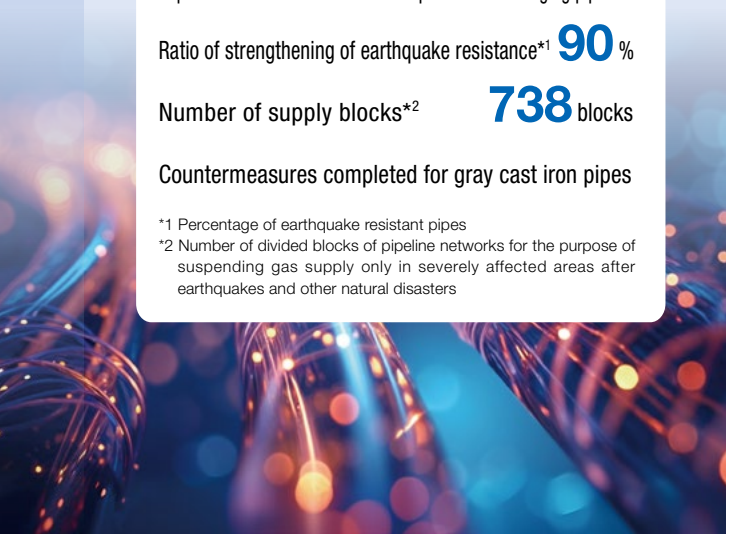
Implemented measures for disaster prevention and aging pipes

Ratio of strengthening of earthquake resistance*1 **90** %

Number of supply blocks*2 **738** blocks

Countermeasures completed for gray cast iron pipes

*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 and other natural disasters



Progress through FY2025.3

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 and serious energy supply disruptions caused by the company, a target under materiality indicators. In terms of disaster prevention and aging pipes, we are continually working on four types of disaster prevention measures: preventive measures, emergency measures, recovery measures based on knowledge gained from recovery activities following the Great Hanshin-Awaji Earthquake, and tsunami countermeasures based on the damage experienced during the Great East Japan Earthquake.

In the electricity supply chain, we not only enhanced electricity supply by developing and procuring from renewable energy sources but also promoted technological development to ensure a stable supply and collaboration with other companies.

Please see 📖 P.34 for specific initiatives.

■ Progress of Major Earthquake Countermeasures Since the Great Hanshin-Awaji Earthquake

Item	Major earthquake countermeasures	At the time of the Great Hanshin-Awaji Earthquake (January 1995)	Current situation (March 2025)
Strengthening information gathering functions	Addition of seismometers	Installed in 34 locations	• Installed in approximately 3,300 locations
	Introduction of earthquake damage prediction system	—	• Introduced at the head office, sub-centers, and five business units of Osaka Gas Network Co., Ltd.
Constructing supply stop system	Subdivision of supply blocks	55 middle blocks	• 89 middle blocks • 738 little blocks
	Introduction of supply cutoff devices	Only super blocks (supply areas divided into eight) were remotely controlled	• Remote cut-off devices: Approx. 3,600 locations • Seismic automatic cut-off devices: Approx. 3,000 locations
Strengthening emergency communication	Strengthening of wireless systems	—	• Redundant wireless networks with the main bases being the head office and sub-centers • 6 portable satellite communication devices
Other	Earthquake resistance rate	Percentage of earthquake-resistant pipes: 68%	• Percentage of earthquake-resistant pipes: Approx. 90%
	Promotion of the use of polyethylene (PE) pipes	Approx. 1,200 km of PE pipes	• In principle, all newly constructed low-pressure pipes are made of PE • Approx. 18,600 km of PE pipes
	Backup of important online	—	• Establishment of a backup center

Challenges and Future Strategies

Geopolitical risks are on the rise, including both international political instability and changes in international regulations. As the impact of natural disasters may also be significant, we believe that measures to ensure a stable supply of energy are necessary.

Going forward, we will continue to diversify liquefied natural gas (LNG) procurement areas and optimize contract forms. In addition, we will continue to work on disaster prevention measures and training to ensure the safety of our gas and power generation facilities.

Furthermore, as renewable energy continues to expand, fluctuations in electricity demand both day and night are causing supply surpluses and shortages, which pose a challenge to a stable supply. The Group will contribute to stabilizing the supply and demand for electricity by combining distributed power sources that can be used at home, such as solar power generation and "ENE-FARM." In addition, we will also promote energy management that utilizes AI technology to visualize energy usage and realize optimal energy use.

Enhancing Resilience of Customers and Society

With the aim of enhancing the resilience of its energy supply chain, the Daigas Group is working to ensure stable procurement and optimize procurement and sales by leveraging its trading and transportation know-how and collaborating across the value chain.

We are also working on disaster prevention measures, such as improving security and stable supply through technological development and raising employee safety awareness.

Diversification of LNG Suppliers

We are working on the stable procurement, development, and supply of natural gas, an energy source that will play an important role during the transition period. In FY2025.3, we signed a sales and purchase agreement with ADNOC, the national oil company of the Emirate of Abu Dhabi in the UAE, for LNG produced at the Ruwais LNG Project, thereby diversifying our procurement sources.

Launch of LNG Bunkering Service

Heavy fuel oil is primarily used for marine fuel, and the International Maritime Organization (IMO) has set a goal of zero GHG emissions by around 2050. Osaka Gas became the first city gas company to start a Shore-to-Ship*1 LNG bunkering Service in April 2025, aiming low carbonization of marine fuel. In addition, we plan to start a Ship-to-Ship*2 LNG bunkering Service in the Osaka Bay and Setouchi area in FY2027.3. This will enable LNG fuel supply in a variety of ways, contributing to a stable and flexible LNG fuel supply. In the future, we aim to decarbonize marine fuel by replacing LNG with e-methane as marine fuel.

*1 Transferring LNG fuel from an on-shore facilities, such as an LNG terminal, to an LNG-fueled vessel moored at a wharf or jetty.
*2 Transferring LNG fuel from an LNG bunkering vessel to an LNG-fueled vessel moored at a wharf or at anchor.

Disaster Prevention Measures

We are working to improve security and safety of supply through various measures and technological developments in each process from energy production to consumption. We also provide regular training to employees to improve their safety awareness.

Please see P.33 for the progress of major earthquake prevention measures since the Great Hanshin-Awaji Earthquake.

Energy Resources & International | **LNG & Engineering** | **Network** | **Energy Solution**

Procurement – Trading

Courtesy of Freeport LNG Development, L.P.

Regasification
Power generation

Gas distribution
Power transmission*

Development and sales
Development and sales

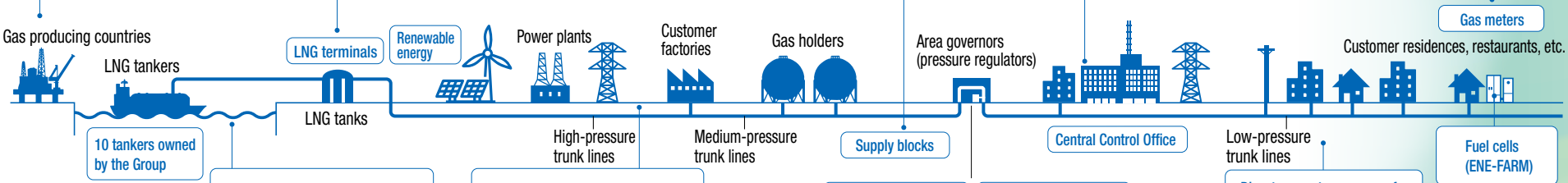
Diversification of LNG suppliers
Reduce procurement risks by mainly signing long-term contracts and diversifying suppliers

Earthquake countermeasures at LNG terminals
Use advanced earthquake-proof technologies for LNG tanks at LNG terminals. Install dikes to prevent leaked LNG from spilling out of the premises

Secondary disaster countermeasures
Suspend gas supply in severely affected areas by supply blocks, when an earthquake or another disaster occurs
Plan to have 746 blocks in 2030 (currently 738 blocks)

Reception of alerts
Receive alerts on gas leakage, etc. around the clock

Secondary disaster countermeasures
Automatically suspend gas when detecting a tremor equivalent to five or higher on the Japanese seismic scale (Plan to complete the installation of smart meters which have communication features and can be operated remotely by the first half of 2030s)



Stable transportation of LNG
Reduce transportation costs by using our own tankers. Respond in an agile and flexible manner

Stable supply of power
Roll out demand response services, and adjust supply-demand balance by utilizing remote AI control

Disaster countermeasures for gas pipelines
Replace aged gas pipes, etc. with highly durable and earthquake-proof polyethylene (PE) pipes

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

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.

FY2025.3 Results

Number of customer accounts **10.71** million

Customer satisfaction rate **92** %

Social implementation of new services that contribute to low carbon/decarbonized energy and efficient infrastructure maintenance

Progress through FY2025.3

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 10.71 million. We also strived to ensure safety and improve the quality of services. The satisfaction rate for customer-facing operations* remained high at 92%. From FY2025.3, we have further strengthened the new business creation function of the Next-Generation Business HQ, and worked to consistently promote research and technology development, collaboration with various partners, and commercialization to further create new businesses. In November 2024, we invested in FPR Energy Limited, an Australian startup company developing next-generation concentrated solar thermal systems, with the aim of contributing to the decarbonization of industrial heat demand. 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]).

Domestic Energy business For more details, please see P.39.

Life & Business Solutions (LBS) business For more details, please see P.44.

For more details of our investment in FPR Energy Limited, please see the Sustainability Report 2025.

Major Projects Implemented in FY2025.3

- Built a system to evaluate the quality of carbon credits using generative AI
  For more details, please see P.32.
- Improved the efficiency of leak inspections with laser spectroscopic detectors and dedicated navigation systems
  (Received Prime Minister's Award at the 7th Infrastructure Maintenance Awards, and Japan Gas Association Technology Award 2024)
- Launched "D-Remove," a service that reduces CO_2 emissions from deodorization processes with zero initial investment

Challenges and Future Strategies

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 sources of revenue and ensure sustainable growth for the Daigas Group, we will continue to leverage the business know-how and strengths that each company has cultivated, as well as the synergies within the Group, to create new businesses that meet the diversifying needs of our customers.

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.

FY2025.3 Results

Ratio of female employees promoted to managerial positions	18.2%
Ratio of female career-track employees	39.4%
Work engagement score	52.2
Total number of new graduates and mid-career hires	116 people
Reserve ratio of next-generation management personnel	260%

Progress through FY2025.3

With the aim of acquiring and developing human resources who can play an active role in a rapidly changing business environment, we have expanded our recruitment methods, such as by hiring new graduates, and increased the number of employees we hire, which has resulted in us acquiring a diverse range of human resources. As a means of supporting autonomous career development, we have introduced an internal internship and internal side job system.

Simultaneously, we worked on the creation of a comfortable work 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. In recognition of these efforts, we have been selected as the “Nadeshiko Brand” seven times as a company that excels in women’s empowerment in the workplace. In FY2025.3, we were selected as a “Next Nadeshiko: Companies Supporting Dual Careers and Co-parenting” as a company that is particularly outstanding in its efforts to support for all employees to manage to strike a balance between empowerment in the workplace and child rearing.

We also work on Health and Productivity Management*. 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 2025” three years in a row.

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

For specific initiatives, please see Human Capital Report 2025, and Sustainability Report 2025.

Challenges and Future Strategies

To expand the Group’s business and diversify business portfolio, it is important to sustainably secure personnel for the entire Group. We aim to expand early the number of 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 will 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. For example, we will encourage employees to take on new challenges and grow by revising our personnel systems, such as extending the retirement age, and promote revitalization of individuals.

Advancing Business Transformation Through DX

In the times when everything is connected via digital technology and evolves rapidly, the Daigas Group recognizes that how we compete to offer services to customers is completely different from conventional approaches. Under such circumstances, our business operations need to respond quickly and flexibly to changes. Based on our belief that accelerating both value provision through new service development and productivity increase through operational process reform will lead to enhanced competitiveness, we will advance business transformation through DX.

FY2025.3 Results

Recruitment of DX core staff **243** people

Progress through FY2025.3

The Daigas Group is transforming its business activities to realize the DX strategy goal of becoming a “corporate group capable of keeping on changing.”

For our first initiative, new service development, we launched a project 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. In FY2025.3, we formulated a system reconstruction roadmap to realize 1-to-1 communication that proposes optimal services at optimal timings for customers.

For our second initiative, operational process reform, we are working to improve operational efficiency by incorporating SaaS*2, generative AI, and other digital technologies into business operations. Simultaneously, we are reforming ways of work and how to proceed with tasks through Daigas X*3. This will make room for exploring new value, evolving highly specialized operations, and lead to the provision of new value.

For our third initiative, DX promotion structure enhancement, we hold lectures and dialogues with external experts for management and are working to enhance the development of DX core staff, who play a core role in DX promotion. We have developed a total of 243 DX core staff members as of March 2025. Through these initiatives, we are working to build a system where top-down and bottom-up approaches create synergy.

*1 Please see P.40 for examples of FY2025.3 activities in services for residential customers.
*2 A service that allows users to use software via a network, such as the internet.
*3 Daigas transformation: Reform of ways of work and how to proceed with tasks and creation of a work environment that enhances value for employees and the company.

For specific initiatives, please see Sustainability Report 2025.

Challenges and Future Strategies

In order to advance business transformation through DX, we need to be swift in adapting to rapid technological innovation, reform our traditional organizational culture, and promote flexible and innovative thinking. We will promote the use of digital technologies such as generative AI across the entire company, evolve our ways of working and methods of proceeding with tasks, and work to build a DX promotion system that can generate synergies from both top-down and bottom-up by enhancing and continuing development programs by job levels.

In addition, we will build a competitive business model through DX by deploying the results of our business transformation activities, which have been focused on the residential business division, to the commercial and industrial business divisions, network division, and other divisions.

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 will improve corporate value by increasing capital efficiency 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.

Progress through FY2025.3

Since introducing ROIC as a management indicator in the Medium-term Management Plan 2023, which outlines our action policy from FY2022.3 to FY2024.3, we have been working to improve ROIC while keeping in mind capital costs (WACC).

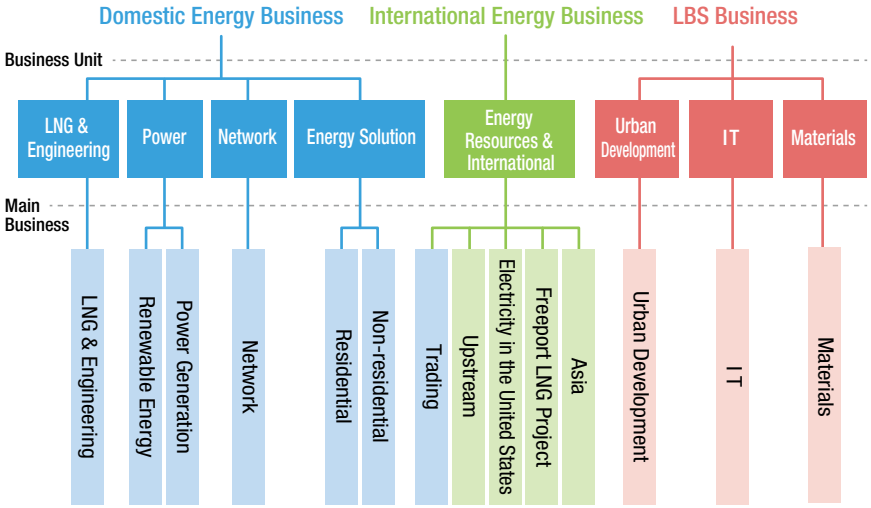
In FY2025.3, each business unit autonomously and swiftly implemented initiatives to improve asset efficiency, such as deciding to sell a U.S. thermal power plant to promote replacement with more efficient assets, promoting the sale of cross-shareholdings, and continuing to promote maximization of off-take of renewable energy in Japan. In terms of profits, we were able to achieve our management targets as planned, thanks in part to the favorable performance of our domestic electricity business. We are making steady progress toward achieving our targets for FY2027.3.

Challenges and Future Strategies

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 continued 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 Business



Main Initiatives and FY2027.3 Targets by Segment

	Main initiatives	FY2025.3 result	FY2026.3 forecast	FY2027.3 target
Domestic Energy Business	● 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 cross-shareholdings by re-examining the significance of each stock holding	4.2%	3.6%	4.0%
International Energy Business	● Production expansion of shale gas as a key transition fuel ● Promote replacement of assets (e.g., electricity business in the United States)	7.5%	7.4%	7.0%
Life & Business Solutions (LBS) Business	● Growth in property development, IT, and materials by leveraging our strengths in each field ● Asset efficiency enhancement initiatives, such as private REIT business	5.3%	5.6%	5.5%
Overall		5.4%	5.1%	Approx. 5.0%

Business Strategies by Segment

Domestic Energy Business

FY2025.3 Results

Net sales **1,737.9** billion yen

Segment profit*1 **77.5** billion yen

*1 Operating profit + share of profit of entities accounted for using equity method

Investment for Growth for FY2027.3

185.0 billion yen*2

*2 Cumulative total for FY2025.3 – FY2027.3 (plan)en

What We Aim To Be

In our Domestic Energy business, we will continue to prioritize supplying safe, secure, and stable energy to our customers. At the same time, we will make use of the relationships of trust we have built up with our stakeholders to create a variety of services that contribute to our customers' comfortable lives and the development of their businesses, thereby aiming for the sustainable growth of the Daigas Group.

In addition, by promoting carbon neutrality ("CN") and utilizing natural gas, we aim to help our customers seamlessly transition to a CN society without having to go through the hassle of paperwork.

Business Environment Awareness

Strengths

- An energy value chain from procurement to manufacturing, supply, and sales
- High technical capabilities and know-how for stable supply
- Products and services related to low-carbon energy such as LNG, city gas, and natural gas-fired power generation, as well as renewable energy, and technology and know-how including e-methane, a decarbonized energy source
- Stable customer base and long-standing relationships of trust

Issues

- Stable and economical procurement of raw fuels
- Securing competitive power sources and expanding the use of renewable energy
- Ensuring stable supply and continued safety

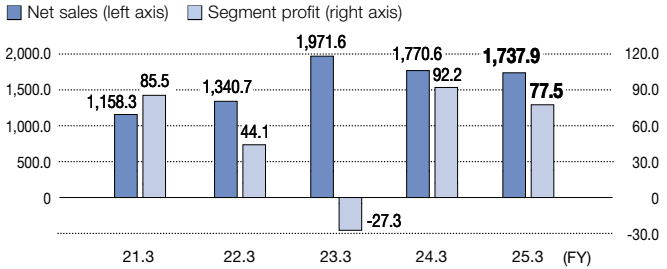
Opportunities

- Demand for switching to low-carbon energy during the transition period
- Increasing demand for renewable energy and growing need for grid stabilization
- Increasing energy demand due to advances in DX and generative AI

Risks

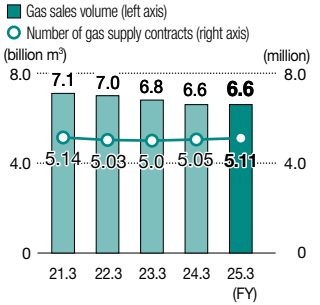
- Problems with procurement, gas production, power generation, and supply due to disasters, etc.
- Rapid changes in the market environment due to climate change and accelerating CN trends
- Intensifying competition with other companies

Net Sales*3 (billion yen) **Segment Profit*3 (billion yen)**

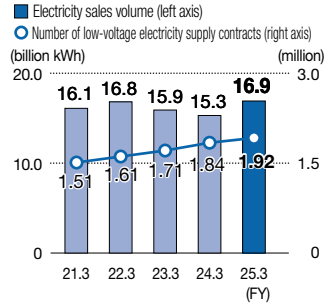


*3 In FY2021.3, Gas and Power Co., Ltd. (Domestic Energy/Electricity) was absorbed into Daigas Gas and Power Solution Co., Ltd. (Domestic Energy/Gas).
From FY2022.3, "Domestic Energy/Gas" and "Domestic Energy/Electricity" were integrated into "Domestic Energy," and Osaka Gas International Transport Inc., which transports LNG and was included in "International Energy," was integrated into "Domestic Energy" with the aim of unifying energy sales and supply/demand management. Operating expenses for International Energy included in Osaka Gas (Domestic Energy/Gas) was transferred to "International Energy."
The actual results for FY2021.3 are listed according to the changes.

Domestic Gas Sales Volume and Number of Gas Supply Contracts



Domestic Electricity Sales Volume and Number of Low-voltage Electricity Supply Contracts



INPUT

- Segment assets 1,640.8 billion yen
- Segment growth investment 34.1 billion yen
- Quality improvement investment 73.7 billion yen
- High technical capabilities and know-how for stable supply
- Stable customer base and long-standing relationships of trust

OUTPUT

- Net sales 1,737.9 billion yen
- Segment profit 77.5 billion yen
- Number of serious accidents and serious energy supply disruptions caused by the company Zero
- Number of customer accounts 10.71 million

OUTCOME

- Safe, secure and stable energy supply
- Contribution to CN society
- Co-creation of diverse solutions with stakeholders

FY2025.3 Results and Initiatives for Further Growth

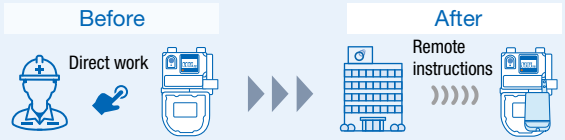
Network Business

In FY2025.3, we completed the construction necessary to address issues related to gray cast iron pipes, which was the goal of the Gas Safety Enhancement Plan. Going forward, we will continue working to create more resilient facilities, such as by replacing gas pipelines with more earthquake-resistant materials such as polyethylene pipes and subdividing the number of supply blocks.

In addition, we are working to enhance safety and productivity through DX. In FY2026.3, we have utilized the communication functions of smart meters to ensure rapid security and streamline work. We have also begun automatically creating pipeline construction drawings using 3D photos to reduce the time necessary to create drawings and improve work efficiency.

Utilizing the communication function of smart meters

Emergency gas shutoff and restoration work and monthly meter reading can be performed remotely



Automatic generation of pipe construction drawings using 3D imaging technology

Automatic creation of 3D drawings from images taken with a smartphone

Left: Generated 3D model data (Can be used for construction drawings)
Right: Actual installed piping (Recognize required information when taking photographs)

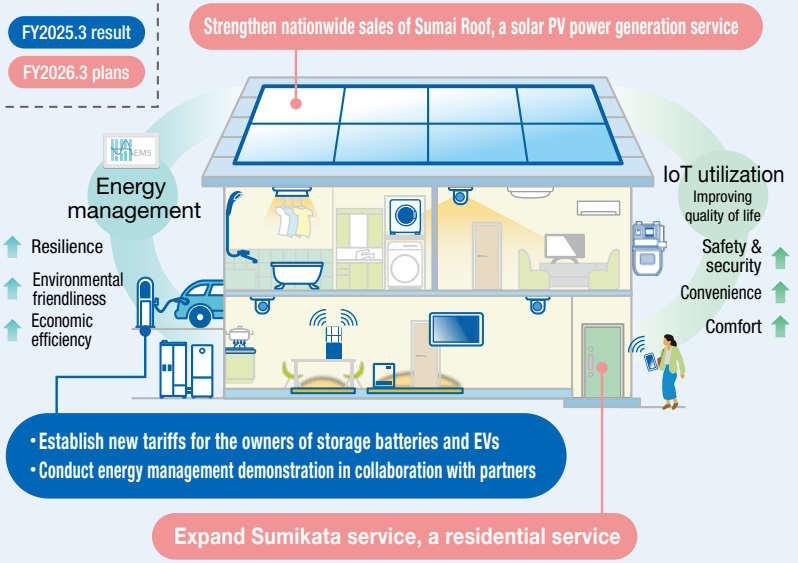
Initiatives to Maintain and Expand Gas Retail Business

We aim to maintain and expand gas sales and supply volume by expanding our residential space services, fuel conversion activities, and strengthening sales of energy services.

Initiatives for residential customers

In addition to conventional gas appliances, we aim to realize smart and comfortable lifestyles by connecting solar power generation and electric vehicles with IoT and managing energy with the best mix of gas and electricity.

In FY2026.3, we will expand our residential space services by strengthening nationwide sales of Sumai Roof, a solar power generation service that can be started with zero installation cost, and adding new menu items to Sumikata Services.



Initiatives for commercial and industrial customers

We are working to shift fuel from coal and oil to natural gas and LNG, which will lead to a decarbonization effort. In FY2025.3, we received an order for a large-scale construction project of approximately 60 thousand tons/year (LNG equivalent). We are also promoting energy conservation by introducing a cogeneration system that effectively utilizes waste heat during power generation.

We will further enhance our D-Lineup as a solution service that solves various problems for our customers from the three perspectives of carbon neutral, 3R*, and DX. Services include reducing and recycling food waste and wastewater with the aim of sustainable resource circulation, and supporting business activities by using data and digital technology to address issues such as labor shortages and technology transfer.

*Reduce/Reuse/Recycle

FY2025.3 Results and Initiatives for Further Growth

Power Business

Initiatives for low-carbon natural gas-fired power generation

To achieve low carbonization and a stable power supply, natural gas-fired power generation, which allows for easy output adjustment, is essential. The Daigas Group started full-scale construction of the Himeji Natural Gas Power Plant in August 2022. Unit 1 is scheduled to begin operation in January 2026, and Unit 2 in May of the same year, with a power generation capacity of approximately 1.2 GW. This will expand our domestic thermal power generation capacity from 2.0 GW to 3.2 GW.

In addition, in March 2025, we decided to jointly construct a natural gas power plant (Himeji Natural Gas Power Plant Unit 3), which we won in a long-term decarbonized power source auction, with several other companies. We will introduce a highly efficient gas turbine combined cycle power generation facility with a capacity of approximately 0.6 GW, and aim to start operation in FY2031.3.

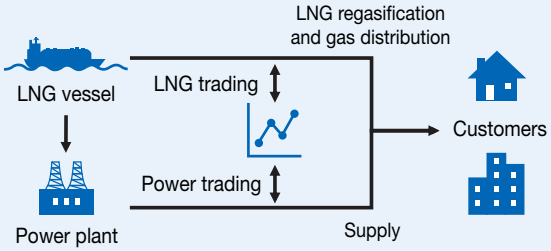
In the future, we will aim to achieve zero emissions from thermal power generation, our main source of energy, by 2050 by examining the possibilities of using e-methane and bio-methane, hydrogen, and natural gas + CCS.

Himeji Natural Gas Power Plant

Initiatives in LNG and electricity trading markets

The Daigas Group leverages its strengths in owning a value chain from LNG procurement to sales to optimize the operation of its own facilities as well as market transactions, thereby reducing procurement costs while maintaining a stable supply of gas and power and maximizing trading profits.

As one example of optimization, when LNG is expensive and electricity is cheap, the Group will suppress power generation, buy cheap electricity from the market, and sell the surplus LNG. By purchasing surplus electricity on the market and providing LNG where there is a shortage, the Group contributes to adjusting the electricity supply and demand, and in return earns trading profits.



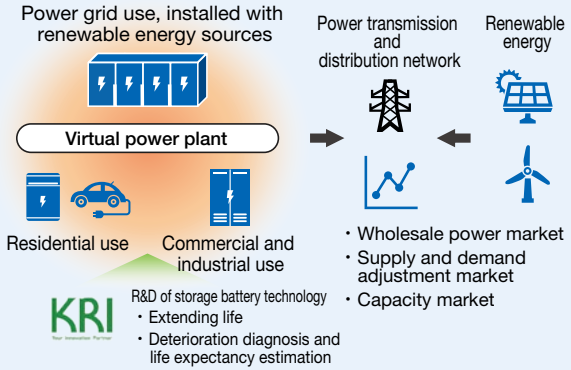
Optimization efforts (image)

Market price		The Group's response		
Power	LNG	Power generation	Power market	LNG market
Low	High	Suppress	Buy	Sell
High	Low	Promote	Sell	Buy

Initiatives to promote the spread of renewable energy

The Daigas Group has been developing a variety of renewable energy sources, including solar, biomass, and wind power. In FY2026.3, all eight biomass power plants that have been developed and constructed so far will begin operation.

In addition, as storage batteries can level out the load on the grid due to the large-scale spread of renewable energy, their importance will increase in the future. The Group is promoting the sale of storage batteries and the installation of storage stations for residential, commercial, and industrial use, in addition to grid-use and renewable energy-connected types. By bundling these together into a virtual power plant, we are aiming to grow into one of the top storage battery operators in Japan.



KRI, Inc.: A wholly owned group subsidiary of the company

Biomass Power Plant (As of Sep 2025)

	Location	Start of operation	Capacity of power generation facilities
Matsusaka Woody Biomass	Mie Prefecture	Jan 2018	2MW
Ichihara Biomass	Chiba Prefecture	Dec 2020	50MW
Tokushima Tsuda Biomass	Tokushima Prefecture	Dec 2023	75MW
Hirohata Biomass	Hyogo Prefecture	Dec 2023	75MW
Hyuga Biomass	Miyazaki Prefecture	Oct 2024	50MW
Aichi Tahara Biomass	Aichi Prefecture	Nov 2024	75MW
Sodegaura Biomass	Chiba Prefecture	Jul 2025	75MW
Gobo Biomass	Wakayama Prefecture	Sep 2025	50MW

Courtesy of Freeport LNG Development, L.P.

International Energy Business

FY2025.3 Results

Net sales **128.1** billion yen

Segment profit*1 **71.9** billion yen

*1 Operating profit + share of profit of entities accounted for using equity method

Investment for Growth for FY2027.3

225.0 billion yen*2

*2 Cumulative total for FY2025.3 – FY2027.3 (plan)

What We Aim To Be

In our International Energy business, we have expanded and diversified our business domain from upstream to mid- & downstream businesses, making use of the experience and knowledge we have accumulated over many years of operating in various countries, while also utilizing the O&M and engineering capabilities of the energy value chain we have built in Japan, as well as our ability to propose solution services.

The International Energy business has now grown into one of our business pillars, contributing to the profits of the Daigas Group as a stable earnings base that is not dependent solely on the Domestic Energy business.

We will continue to efficiently expand our profit scale, and aim to provide stable, low-cost energy supplies and convenient services that contribute to the sustainability of the carbon neutral ("CN") society by developing e-methane projects and taking other measures.

Business Environment Awareness

Strengths

- Developing business across the value chain from upstream to mid- & downstream
- Possessing Operational know-how for the energy business, leveraging knowledge gained in Japan

Issues

- Safe and stable operations for stable procurement and profit
- Acquiring know-how in new fields through business participation

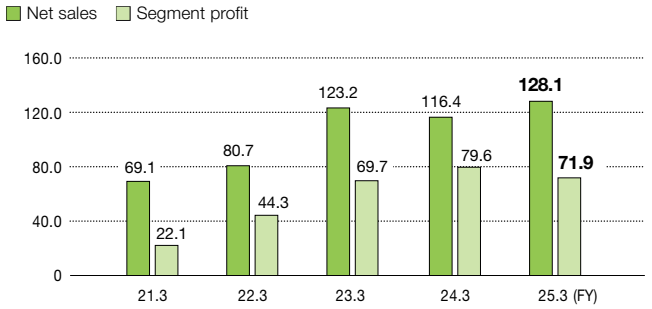
Opportunitie

- Increasing demand for low-carbon and decarbonized energy
- Increasing energy demand in emerging markets

Risks

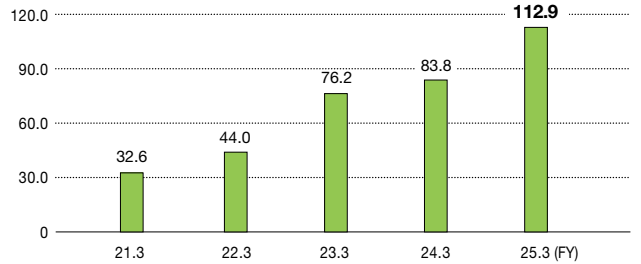
- Implementation or change of policies and regulations, deterioration of economic or social conditions, etc. in the countries in which the Group operates
- Market fluctuation in areas including crude oil prices and gas prices, technical issues

Net Sales*3 (billion yen) **Segment Profit*3** (billion yen)



*3 From FY2022.3, Osaka Gas International Transport Inc., which transports LNG and was included in "International Energy," was integrated into "Domestic Energy" with the aim of unifying energy sales and supply/demand management. Operating expenses for International Energy included in Osaka Gas (Domestic Energy/Gas) was transferred to "International Energy."

Growth Investment Amount for Each Fiscal Year in International Energy Business (billion yen)



INPUT

- Segment assets 1,105.4 billion yen
- Segment growth investment 112.9 billion yen
- Developing business across the value chain from upstream to mid- & downstream
- Operational know-how for the energy business, leveraging knowledge gained in Japan

OUTPUT

- Net sales 128.1 billion yen
- Segment profit 71.9 billion yen
- Steady profit growth through price hedging, development expansion, and stable operations at Sabine Oil & Gas Corporation in the U.S.
- Expanding city gas business in the growing market of India

OUTCOME

- Stabilizing global energy supply
- Contribution to CN society
- Contribution to national and regional economic development

FY2025.3 Results and Initiatives for Further Growth

Upstream Business (U.S.)

The Daigas Group is engaged in upstream businesses that contribute to strengthening and stabilizing the Group's earnings base by expanding its business portfolio.

In the U.S., we acquired all shares of Sabine Oil & Gas Corporation in 2019, and gained operatorship to proactively promote projects in the shale gas development business. While striving to stabilize earnings through hedging, we are working to maximize earnings by flexibly adjusting production volume and new well development and choosing to acquire or sell assets in response to changes in market conditions such as gas prices (Henry Hub), thereby driving the profit growth of the Group.

FY2025.3 results

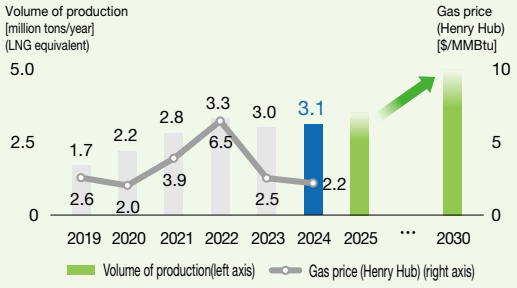
To grow our business further, we acquired additional shale gas mining areas. The mining area has increased by 1.2 times since our 100% investment, expanding to approximately 1,200 km^2.

Although gas prices remained at low levels, we contributed to stable profits by diversifying hedge transactions to prepare for the risk of price declines, agile production volume control, and expanding sales channels.

Future initiatives

While closely monitoring gas prices, we aim to expand production in the medium to long term by acquiring additional mining areas and expanding development.

Sabine Oil & Gas Corporation's Gas Production Volume



Sabine well drilling site

Asian Business (India)

In Asia, we are developing our mid- & downstream businesses. In these businesses, we are aiming to achieve sustainable growth using the know-how and experience we have cultivated in our Domestic Energy business, while accumulating local business know-how, and contributing to the economic development and carbon neutrality of energy in each country.

The government of India is promoting the expansion of natural gas use, such as encouraging the spread of natural gas vehicles through the development of city gas infrastructure, as a measure to address rising energy demand associated with economic growth, and to promote low carbonization and address air pollution. Therefore, growth is expected in the Indian market. In 2021, the Daigas Group became the first Japanese company to participate in the Indian city gas business through investment in a local city gas business company. In the business area in which we have been granted exclusive business rights by the Indian government, we will expand sales of city gas for residential, commercial, and industrial use with focus on transportation, and develop it into a pillar of our Asian business, in order to contribute to the transition to low-carbon energy and the stable energy supply in India.

FY2025.3 results

We made additional investments in our city gas business in India, expanding our business area from approximately 270,000 km^2 to approximately 320,000 km^2 (approximately 90% of Japan's land area). Our gas pipelines in India now have a total length of 10,000 km (approximately one-sixth of the total length of our pipelines in Japan), while our annual gas sales volume has increased to 370 million m^3, approximately 2.5 times more than in the previous fiscal year.

Future initiatives

We aim to expand our annual sales volume to approximately 3.5 billion m^3, equivalent to roughly half of Japan's city gas sales volume, in FY2031.3, and establish a medium- to long-term earnings base.

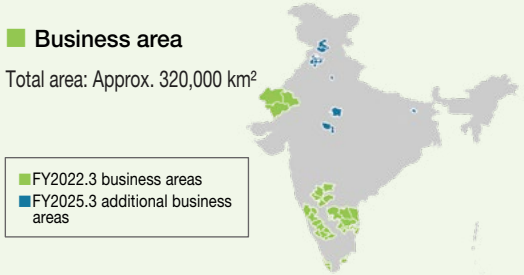
Through a Japanese consortium, we will establish a joint venture with an Indian renewable energy business company and own approximately 400 MW of renewable energy assets in three years, thereby contributing to the decarbonization of energy.

Annual Gas Sales Volume (m^3)

FY2024.3 result	FY2025.3 result	FY2026.3 plan	…	FY2031.3 plan
150 million	370 million	540 million	…	Approx. 3.5 billion

Business area

Total area: Approx. 320,000 km^2



A line of vehicles at a CNG station in India

Life & Business Solutions (LBS) Business

FY2025.3 Results

Net sales **282.4** billion yen

Segment profit*1 **28.7** billion yen

*1 Operating profit + share of profit of entities accounted for using equity method

Investment for Growth for FY2027.3

150.0 billion yen*2

*2 Cumulative total for FY2025.3 – FY2027.3 (plan)

What We Aim To Be

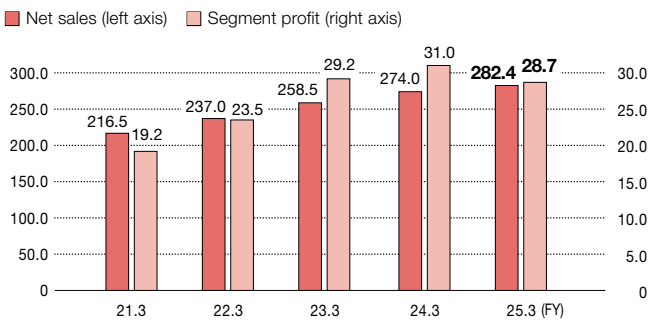
We are steadily growing profits from the LBS business by leveraging the technology and business know-how we have cultivated in the energy business. By developing businesses separate from the energy business, we make them less susceptible to the effects of crude oil prices and exchange rates, and they are steadily making contributions to the Group's profits.

We will accelerate growth by leveraging the strengths that each company has cultivated, such as asset-light real estate business management and provision of high-value-added systems and high-performance materials, and the synergies within the Daigas Group.

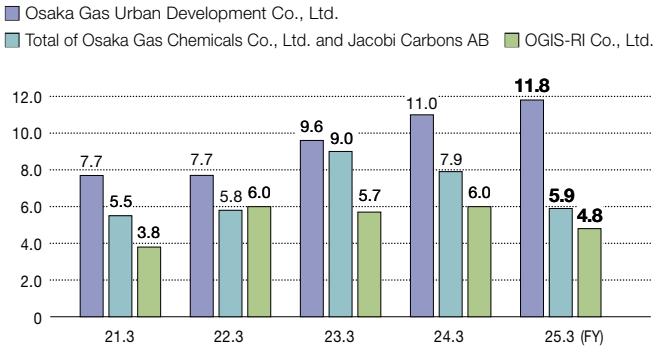
Business Environment Awareness

	Urban Development	Information Technology	Materials
Materials	● Rolling out a wide range of real estate-related business, including development, management, and sales	● Ability to provide one-stop service from IT strategy formulation to development, maintenance, and operation	● Technological capabilities to develop highly functional and high value-added products to meet domestic and overseas demand
Opportunities	● Booming real estate investment market	● Increasing need for digital transformation, including AI	● Increasing environmental awareness
Issues	● Responding to rising construction material prices	● Securing and developing human resources	● Responding to rising raw material prices and developing high value-added products
Risks	● Deteriorating real estate market conditions	● Information leaks due to advanced cyber attacks	● Rising raw material prices

Net Sales (billion yen) **Segment Profit** (billion yen)



Operating Profit of Each Company (billion yen)



INPUT

- Segment assets 528.3 billion yen
- Segment growth investment 62.3 billion yen
- Expanding the real estate business domain with a focus on capital efficiency
- Providing one-stop service from development, maintenance, and operation
- Developing and selling high-value-added chemical products

OUTPUT

- Net sales 282.4 billion yen
- Segment profit 28.7 billion yen
- Growth in real estate business centered on rental and for-sale apartments
- Strengthening of ERP* business domain through M&A
- Strong performance of inorganic materials and other products

*ERP is the abbreviation for enterprise resource planning. It is a system for integrated management of the customer's entire business from the perspective of effective use of management resources.

OUTCOME

- Providing comfortable places, spaces, and services
- Evolving our customers' businesses
- Contributing to a sustainable society through manufacturing

FY2025.3 Results and Initiatives for Further Growth

Urban Development Business

We roll out real estate business, which extends widely to include the development of properties such as for-sale and rental apartments, office buildings, logistics facilities, research park business, REIT business, management of buildings and facilities, and so on.

FY2025.3 results

Our core urban development business of rental and for-sale apartments performed well. We have systematically sold properties to a private REIT, in order to improve capital efficiency.

Future initiatives

We will continue to manage our urban development business with a focus on capital efficiency, while also expanding this business domains, including office businesses in the Greater Tokyo area and logistics businesses.

URBANEX Waseda Terrace

Group synergy effects

Strengthening the capabilities to acquire land information and propose sets of energy products by utilizing the Daigas Group's sales network

Information Technology Business

We are expanding our information technology business to general customers using the knowledge we have gained through the development and operation of systems for Daigas Group businesses. Through M&A, we are broadening our business domain by adding companies in the manufacturing and financial industries, as well as companies with strengths in ERP, to the Group.

FY2025.3 results

We have acquired the business of the Fasttrack Solutions Inc. Group, which operates ERP business in Southeast Asia, mainly in the Philippines.

Future initiatives

We will capture DX demand both within and outside the Group and expand the scale of our business in areas such as ERP and AI.

Group synergy effects

Strengthening the Group's management foundation through Group collaboration in DX promotion activities

Materials Business

Using the coal chemistry technologies (application of by-products from gas production using coal as a raw material, etc.) and pharmaceutical- and agricultural-related technologies cultivated by Osaka Gas, we develop, manufacture, and sell a variety of highly functional materials, such as fine materials, carbon fiber materials, activated carbon, silica- and alumina-based materials, and preservatives.

FY2025.3 results

Inorganic materials and other products performed well.

Future initiatives

While maintaining and expanding our existing materials businesses, we will cultivate growth areas by diversifying our products.

D-BHB (naturally derived ketone bodies)

Activated carbon

Group synergy effects

Strengthening the development of highly functional materials through collaboration in the R&D field, including joint research within the Group and talent rotation programs