

# What Is the Vision of the Daigas Group?

**The Daigas Group's vision is to create four types of value, aiming to be a corporate group that powers continuous advancement in customers' lives and businesses.**

Here we present what types of value the Group has created together with our stakeholders under the Daigas Group Corporate Principles and what type of growth strategies the Group envisions for the future.

## Value Creation and Growth Strategies

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# Daigas Group Corporate Principles

The “Daigas Group Corporate Principles” consists of “What We Aim To Be,” “Our Commitment” and “Our Corporate Motto.”

The Daigas Group carries out its business activities based on the “Daigas Group Corporate Principles.”

We aim to be a corporate group that powers continuous advancement in customers' lives and businesses. And we are committed to creating four types of value to fulfill our social responsibility: we create value primarily for customers, as well as for society, shareholders, and employees. In order to achieve these, we promote efforts that are in line with the Daigas Group Corporate Principles.

## What We Aim To Be

A corporate group that powers continuous advancement in customers' lives and businesses.

## Our Commitment

We create four types of value.



**Creating Value  
for Customers**



**Creating Value  
for Society**



**Creating Value  
for Shareholders**



**Creating Value  
for Employees**



## Our Corporate Motto

Service First

# The Daigas Group's Four Value Creation Tracks

The Daigas Group formulated the “Long-Term Management Vision 2030” in March 2017.

To achieve the vision for FY2031.3 outlined in the Long-Term Management Vision, under the Daigas Group Corporate Principles, we have created four types of value:

“Value for Customers,” “Value for Society,” “Value for Shareholders,” and “Value for Employees.”

## Value We Have Created So Far



### Creating Value for Customers

We continue to provide services that meet customer expectations for comfort, convenience, and reliability in diverse fields.



#### Number of customer accounts

FY2018.3  
8.27 million → **10.71** million  
FY2025.3

#### Customer satisfaction rate\*1

13 consecutive years **90%** or higher

#### Continue to meet customers' expectations in various fields

The Daigas Group has strengthened its social capital by maintaining a high level of customer satisfaction and building relationships of trust.

In addition, we have expanded our business domains by leveraging our human and intellectual capital, and increased points of contact with customers by providing useful services such as telecommunications, home renovation, and a refrigerated food delivery service.

Going forward, we will continue to create new services and businesses that meet the increasingly diverse values of our customers, thereby increasing the number of customer accounts and strengthening our financial capital.

\*1 Results of a satisfaction survey on 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).



### Creating Value for Society

We conduct fair and transparent business operations and contribute to the sustainable development of society and the improvement of the global environment.



#### Promote widespread use of highly durable polyethylene (PE) pipes\*2

FY2018.3  
Extension of PE pipeline length  
15,900 km → **18,600** km  
FY2025.3

#### Avoided CO<sub>2</sub> emissions

FY2018.3  
0.61 million t-CO<sub>2</sub> → **6.29** million t-CO<sub>2</sub>  
FY2025.3

#### Contribute to a sustainable society through the supply of clean energy in a safe and stable manner

As a business operator responsible for social infrastructure, the Daigas Group has realized a stable energy supply by systematically developing and strengthening the gas pipeline network. Increasing the resilience\*3 of infrastructure also leads to the continuation of stable business.

It is also important for the Group, which is centered on the energy business, to contribute to a carbon neutral society. As part of our current efforts in the transition period, we are strengthening our manufactured capital through the construction of natural gas power plants, and contributing to reducing CO<sub>2</sub> emissions throughout society by switching from heavy oil to natural gas. Looking to the future, we aim to transition to a seamless carbon neutral society by introducing e-methane, which can be used with existing gas appliances.

\*2 PE pipeline length extension of approx. 1,200 km at the time of the Great Hanshin-Awaji Earthquake (1995).

\*3 Resilience: With an original meaning of “recoverability,” “flexibility,” “adaptability,” in a business context, it also refers to “recoverability and adaptability that makes it possible to overcome difficulties.”



## Value We Have Created So Far



### Creating Value for Shareholders

We strive to achieve stable long-term growth and maximize corporate value while maintaining a sound financial foundation.



#### Ordinary profit

FY2018.3

77.0 billion yen

FY2025.3

→ 189.6 billion yen

#### ROE

FY2018.3

3.8%



FY2025.3

8.2%

#### ROIC

FY2018.3

4.0%



FY2025.3

5.4%

#### To maximize corporate value with stable growth

The Daigas Group will improve ROE by increasing profits and controlling shareholders' equity in order to increase shareholder value. To achieve this, it is essential that we maintain a stable level of profits and promote ROIC-focused management.

By maintaining a sound financial base through stable profits, we will enable active investment for sustainable growth.

In addition, by implementing ROIC-focused management, we will maximize profits on invested capital. Through these measures, we will strengthen returns to shareholders and increase corporate value.



### Creating Value for Employees

We respect the individuality of each employee and provide support for their personal growth and professional fulfillment.



#### Enhancement of systems

- Establishment of remote working system (work-from-home and satellite offices)
- Introduction of flextime and hourly paid leave
- Enhancement of childcare and nursing care leave systems
- Support for balancing work and medical treatment, etc.

#### Employee attitude survey

Comprehensive indicator remained at appropriate levels in FY2025.3\*1

#### Percentage of male employees who have taken childcare leave/leave for childcare purposes\*2

FY2018.3

88.8%



FY2025.3

94%

#### Ratio of female employees promoted to managerial positions\*2

FY2018.3

9.4%



FY2025.3

18.2%

#### To become a company where people with diverse values can thrive

The Daigas Group believes that improving value for employee is the foundation for the other three types of value creation. Therefore, we are promoting the training of human resources necessary for our management strategy, and the acquisition of highly specialized human resources to quickly expand the number of people who will play a role in the development of technologies related to carbon neutrality and the promotion of digital transformation.

By enhancing each measure while monitoring the progress of diversity, equity, and inclusion promotion and the level of loyalty and satisfaction through employee attitude surveys, we will create a more comfortable working environment and lead to the sustainable growth of the company.

\*1 The comprehensive indicator is the "overall satisfaction" score, which represents the current level of employee satisfaction with the company. The scores for Osaka Gas and its affiliates were higher than the society average.

\*2 Scope : Osaka Gas

# Message from the President of Osaka Gas

## Driving Growth to Meet the Targets of the Medium-Term Management Plan 2026

Representative Director and President **Masataka Fujiwara**

### Review of FY2025.3

#### Executing a balanced strategy to drive growth during the transition while advancing future investments

In FY2025.3, the political and economic outlook remained challenging and uncertain, marked by escalating global geopolitical risks and rising inflation both in Japan and abroad. Despite these adversities, the Daigas Group effectively implemented its balanced strategy to drive both transition-period growth while advancing future investments.

During this crucial transition period, we have seen growth in our domestic electricity business, Sabine in the U.S., and other upstream operations overseas. To drive further growth with natural gas as a practical transition fuel, we intensified efforts to diversify LNG sources and promote customers'

fuel conversion to natural gas. Additionally, to ensure continuous growth, we systematically upgraded our LNG regasification and gas distribution facilities to better prepare for potential natural disasters and enhance our energy security.

Furthermore, in the Life & Business Solutions (LBS) segment, we achieved steady growth by leveraging the unique strengths of each Group company and fostering synergies within the Group. In our real estate development business, we provided environmentally friendly and disaster-resilient solutions. In our materials business, we focused on creating and enhancing activated carbon and other high-value-added products. In our IT business, we drove digital transformation ("DX") initiatives and expanded ERP\* operations throughout the Group.

\*ERP: Enterprise Resource Planning. A system that centralizes customer business activities to improve management efficiency.



Meanwhile, we made consistent progress in our future investments. In developing e-methane, we established a laboratory-scale SOEC methanation test unit with a methane production capacity of 0.1 Nm<sup>3</sup>/h. We also completed detailed studies for a project to produce e-methane in the U.S., targeting our FY2031.3 goal of achieving 1% e-methane in our gas grid. In our natural gas distribution business in India, a primary growth market in Asia, we have invested in its expansion.

As a result of these activities, our profitability indicators for FY2025.3 exceeded the targets, highlighting a year of steady progress toward our future goals.

## Evolving Energy Landscape in Japan and Its Impact

### Importance of a stable energy supply and the use of natural gas, emphasized in the Seventh Strategic Energy Plan

A significant development in Japan's energy landscape was the Cabinet's approval of the Seventh Strategic Energy Plan on February 18, 2025. In response to increasing energy security needs arising from tensions in Europe and the Middle East, along with rising electricity demand fueled by DX, this new plan aims to strengthen the industrial policy to foster economic growth. It focuses on transforming the energy structure to ensure a stable energy supply while advancing decarbonization efforts. Recognizing the uncertainty ahead, which imposes the risk that decarbonization technologies may not be fully developed by 2040, the plan emphasizes the need to secure and utilize fossil fuels, including natural gas via long-term LNG contracts, to ensure a stable energy supply. Natural gas, in

particular, is highlighted for its comparatively low greenhouse gas emissions and potential to lessen environmental impact through fuel conversion to natural gas from coal and oil. Furthermore, the plan identifies hydrogen, ammonia, and e-methane as next-generation energy sources, underscoring the critical need for government support in both technological development and capital investment for these emerging solutions.

## Daigas Group Energy Transition 2050

### Leading in the practical application of carbon-neutral ("CN") solutions through diverse approaches

In light of Japan's roadmap for carbon neutrality ("CN") by 2050, clarified by the new energy mix outlook for 2040 outlined in the Seventh Strategic Energy Plan, the Daigas Group, as an integrated energy provider, recognized the necessity of presenting a clear pathway toward its 2050 CN goal. Consequently, we announced our Energy Transition 2050 initiative on February 27, 2025.

This initiative consists of three key components. First, it lays out a comprehensive roadmap for the Group's energy transition through 2050, illustrated by multiple projected scenarios. We have clarified our path to achieving CN by specifying our targets for 2040. Going forward, we recognize the importance of regularly reviewing these scenarios to adapt to changes in the business environment.

The second component is our commitment to a CN future with our CN power and thermal energy supply, as well as negative emissions initiatives. As an integrated energy company, we offer a range of

energy options tailored to our customers' needs, with e-methane and renewable energy serving as our business pillars. One of the primary advantages of e-methane is its compatibility with existing infrastructure, allowing a seamless transition to a CN society without imposing considerable social costs or complexities on customers.

Lastly, our plan presents various solutions to co-create value for a sustainable future with our customers. We are dedicated not only to providing CN energy but also to offering customer-centric solutions that address our clients' needs. Together with our customers, we strive to achieve a CN society.

## Progress on Key Strategies of the Medium-Term Management Plan 2026

### Steadily executing our plan while addressing new challenges

**Advancing the shift to CN energy by conducting methanation demonstration tests and entering the basic design phase**

We are making steady progress toward fulfilling the Three Commitments outlined in the Medium-Term Management Plan 2026.

Our first commitment is to co-create value for a sustainable future, particularly by providing CN energy solutions. We are advancing our SOEC methanation technology to bench-scale testing with a methane production rate of 10 Nm<sup>3</sup>/h. For Sabatier methanation, we are conducting a large-scale demonstration in Nagaoka City, Niigata Prefecture, and also showcasing at the Expo 2025 site in Osaka, Japan. In our efforts to produce e-methane abroad, our U.S. project is





progressing to the basic design phase. In the renewable energy sector, operations have begun at the Hyuga Biomass Power Plant and Aichi Tahara Biomass Power Plant, raising our cumulative renewable energy development contribution to 3.7 GW during FY2025.3 (including procurement from other companies). While the shrinking FIT market poses challenges for solar power expansion, the increasing demand for energy in data centers, driven by generative AI, offers new opportunities for our Group. We are targeting a goal of 5 GW by FY2031.3, leveraging our strengths across the entire value chain, from development to sales, including corporate PPAs that enable us to sell electricity directly to specific customers.

### Identifying the customer's core issues and applying the Three Realities Principle

In FY2025.3, customer accounts reached 10.71 million, approaching our medium-term management plan target of 10.9 million. This achievement reflects our employees' commitment to our corporate motto, "Service First," which empowers them to identify customer needs, develop tailored products, and deliver solutions effectively. In my early career promoting gas to factories, I frequently visited manufacturing sites and gained a deep understanding of their production processes. This enabled me to identify previously overlooked energy-saving opportunities and propose optimal systems. When communicating with employees, I emphasize the importance of a proactive approach to recognizing customers' real issues, alongside the Three Realities Principle, which focuses on actual place, actual items, and actual facts.

### Creating an environment that supports employee growth while enhancing our talent acquisition and development initiatives

Our second commitment is to support employees in shining in their roles. As workforce mobility has increased in recent years, we have seen a rise in mid-career hires within the Group, leading to a more diverse employee base in age and background. These professionals are leveraging their expertise across our organization, which I view as a highly positive development.

For companies, it is crucial to foster a culture where employees are motivated to challenge themselves and experience growth. In FY2025.3, we introduced several career support initiatives, including the employee-supervisor consultations that reference senior colleagues' career paths, an internal internship program, and an internal side job system. In FY2026.3, we are focused on creating an environment that encourages employees to tackle challenges and pursue growth. We have established a system for promptly evaluating performance and linking it to compensation, which enhances employee ambition and contributions to our business. We are also gradually raising the retirement age to 65, enabling employees to thrive without age-related limitations. We remain committed to strengthening our efforts to secure and develop talent that supports the growth of the Group.

### Expanding the DX promotion structure developed in the residential sector to accelerate business transformation across the entire Group.

The third commitment is to evolve our business foundation by driving business model

transformation through DX. In the residential sector, the business and digital divisions are collaborating to create a robust framework for advancing DX. We are restructuring our system for residential customers, leveraging customer data to shift from conventional household-based service proposals to personalized offerings. This strategy allows us to focus on individual needs within each household, delivering tailored services at optimal times. Going forward, we plan to extend this initiative to the commercial, industrial, and network sectors, accelerating business transformation across the entire Group.

In addition, at the Senri Power Storage Plant, set to commence operations in FY2026.3, we will implement an optimization system that automatically determines the optimal timing for discharging and charging the power storage. This initiative aims to maximize profit margins from both sales and procurement in the wholesale power market.



Furthermore, we will also focus on strengthening the capabilities of our DX core staff to effectively support these initiatives.

**Ensuring strict compliance, an ongoing challenge despite strengthened governance through enhanced oversight and agile responses to key issues**

In FY2025.3, we transitioned to a Company with an Audit and Supervisory Committee to enhance oversight on key issues and facilitate flexible decision-making. The Board of Directors is responsible for overseeing the execution of the key strategies of the Medium-Term Management Plan 2026 and monitoring the progress of sustainability indicators.\* Additionally, the Board addresses challenges related to advancing ROIC-focused management and enhancing capital efficiency. Furthermore, we established a company-wide Risk Management Committee to oversee and manage preventive measures for key risks that affect the entire Group. This committee develops preventive maintenance plans for key risks and centrally manages their progress to strengthen group-wide governance.

It is with deep regret that we acknowledge an incident involving misleading claims made by members of Osaka Gas Marketing Co., Ltd. in the marketing of the ENE-FARM residential fuel cell CHP system, which violated the Act against Unjustifiable Premiums and Misleading Representations. We sincerely apologize for breaching the trust of our stakeholders and for inconvenience and concern this may have caused. We are committed to fully cooperating with the Consumer Affairs Agency's investigation and will take decisive measures to prevent a recurrence within Osaka Gas Marketing Co., Ltd. and throughout our Group. We strive to reinforce compliance awareness and restore the trust of our stakeholders.

\* In FY2026.3, the term "ESG indicators" was changed to "sustainability indicators."

## FY2026.3 Business Plan and Outlook

### Prioritizing safety while advancing our business to meet the targets of our medium-term management plan

FY2026.3 marks the 120th anniversary of Osaka Gas, which began operations in 1905. Since its inception, the Group has diversified the use of gas, expanding from lighting to cooking, space heating, water heating, air conditioning and power generation. We have broadened our market presence from the residential sector to include the commercial and industrial sectors, extending our reach beyond the Kansai region to all of Japan and into international markets, evolving and adapting to the changing landscape. Embracing our 120-year commemorative catchphrase "Dynamic Daigas Group," which reflects our commitment to innovation and progress, we will engage with our customers with integrity and respond dynamically to the evolving needs of society and the times.



120th anniversary logo

FY2026.3 will usher in new developments and challenges. The Himeji Natural Gas Power Plant is set to begin operations. This major project, initiated approximately a decade ago with an environmental assessment, will see Unit 1 commence operations in January 2026, followed by Unit 2 in May of the same year. This increase in power generation capacity will allow us to meet the growing electricity demand, and we will leverage our strengths across the power value chain to broaden our business scope. We are also focused on creating opportunities to generate profits by optimizing the gas and electricity markets through LNG storage and power storage.

Additionally, all eight biomass power plants currently

under development and construction will start operations. We aim to achieve a total capacity of 450 MW from stable FIT power sources, contributing to the realization of a CN society through the sale of renewable energy.

Furthermore, we have launched e-methane demonstration projects. As mentioned earlier, this initiative includes a demonstration at the Expo 2025, Osaka, Kansai, Japan, and the operation of the world's largest-scale Sabatier methanation facility in Nagaoka City, Niigata Prefecture.

At the Daigas Group, our top priority is to ensure safety and security, along with a stable energy supply, as the cornerstone of our corporate identity. Regardless of how innovative our initiatives may be, any neglect of safety and security would undermine the company's foundation. We remain dedicated to enhancing safety measures even thirty years after the 1995 Great Hanshin-Awaji Earthquake, which devastated areas within our gas supply region. This commitment encompasses both physical improvements, including infrastructure investments, and organizational enhancements, such as the refinement of operational processes, education, and training.

While steadily advancing these initiatives, we strive to maintain stable dividends for our shareholders, targeting a 3.0% dividend on equity (DOE) and pursuing our progressive dividend policy. We will also work to enhance capital efficiency by flexibly executing share buybacks and implementing additional measures to return value to our shareholders.

To achieve the objectives of the Medium-Term Management Plan 2026, we are dedicated to making further progress in FY2026.3, inspired by our aspiration to "secure peace of mind today and build sustainable lifestyles for tomorrow."





# 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

**Ko Sakanashi**



### 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.

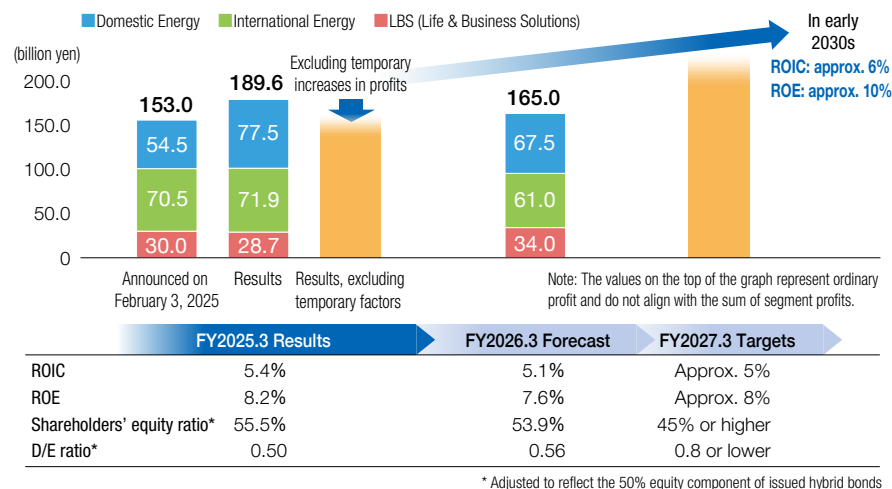
To meet these expectations, we will focus on maximizing our sustainable corporate value by increasing profits through investments for growth in line with the strategies outlined in the Medium-Term Management Plan 2026, while also executing sound financial measures.

### 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



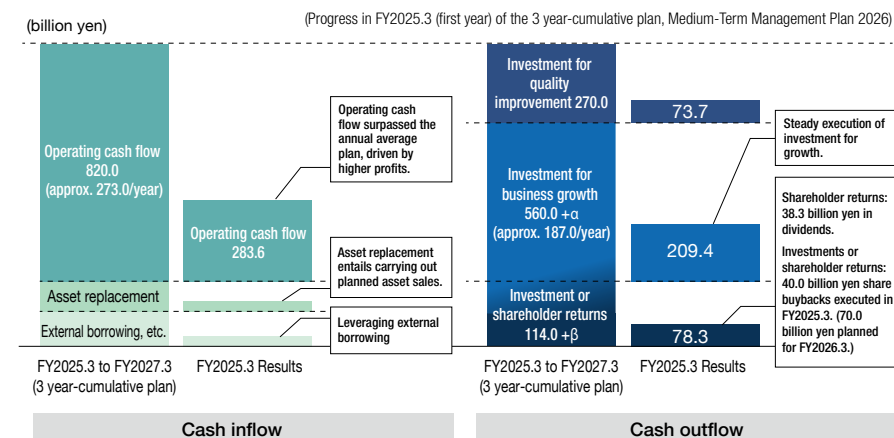
## Update on Investment for Growth and Cash Allocation

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  $\alpha$  and  $\beta$  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

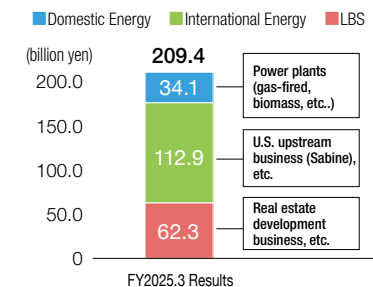


system investments, we successfully executed our planned investments to ensure a safe and stable gas supply, including upgrades to aging gas pipelines. For business growth, our focus centered on the Himeji Natural Gas Power Plant and other electricity projects in Japan, as well as shale gas development 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 ( $\alpha$  and  $\beta$ ) 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

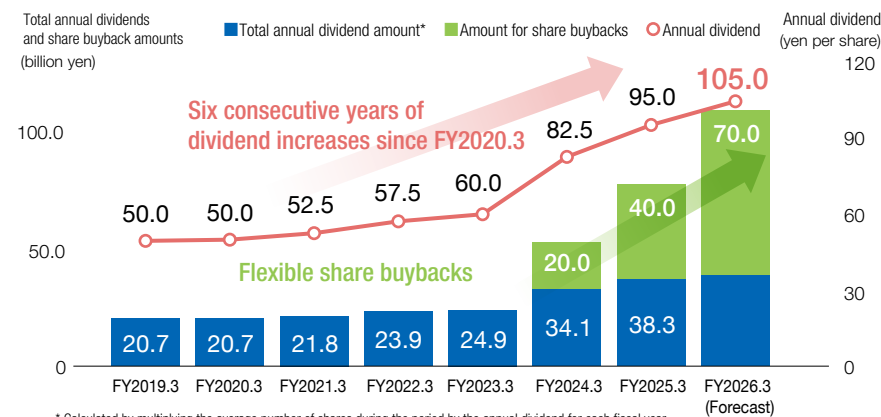
To align more closely with shareholder expectations, we have significantly enhanced our shareholder return policy as part of the Medium-Term Management Plan 2026. Specifically, we have clarified our ongoing commitment to progressive dividends, which avoid dividend cuts and ensure that dividends either 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.