

Enhancing Governance Quality with Diverse Stakeholder Insights

As part of efforts to strengthen governance, the Daigas Group facilitates forums for exchanging opinions between Outside Directors and investors. In March 2025, two Outside Directors engaged in an open and productive dialogue with institutional investors on a variety of topics.



Outside Director

Tatsuo Kijima

Appointed as an Outside Director of Osaka Gas in June 2020, Mr. Kijima brings extensive leadership experience from his previous role as President and Representative Director of West Japan Railway Company (JR West) from 2016 to 2019, where he successfully led important management reforms.



Outside Director Who Is an Audit and Supervisory Committee Member

Eriko Nashioka

Appointed as an Outside Member of the Audit & Supervisory Board in June 2022 and as a Director Who Is an Audit and Supervisory Committee Member in June 2024, Ms. Nashioka brings a wealth of experience as a certified public accountant and tax accountant. She is also active as an environmental accounting expert, serving as Representative Director of Institute for Environmental Management Accounting.

Working to improve PBR

As the Daigas Group prioritizes achieving an ROE of 8%, pursuing growth beyond traditional regulated businesses is essential.

Q. How would you assess our current efforts in responding to the Tokyo Stock Exchange's request to improve PBR?

Kijima Currently, Osaka Gas has a PBR in the 0.8 range, and I believe the executive team is fully committed to achieving a PBR over 1.

To improve our PBR, we must prioritize growth while adapting to changes in the business environment, instead of remaining dependent on the conventional gas business, which is regulated.

Since PBR is derived from multiplying ROE and PER, it

is crucial that we first focus on increasing our ROE. I believe we need to prioritize reaching the 8% ROE target set in the medium-term management plan and strive to consistently exceed that level.

Initiatives to enhance capital efficiency

We are dedicated to meeting shareholder expectations by driving profitability across the entire organization and implementing balance-sheet-focused business management throughout the Group.

Q. What do you consider to be the key elements of our initiatives aimed at enhancing capital efficiency?

Kijima The Group has adjusted its optimal shareholders' equity ratio target from "around 50%" to "45% or higher," reflecting our strengthened cash flow and enhanced business portfolio, particularly due to the

growth of our International Energy segment and Life & Business Solutions (LBS) segment. As an infrastructure company, we must prioritize long-term capital investments and adopt a flexible approach to determining our optimal capital structure by balancing financial soundness with improved capital efficiency.

In this initiative, we emphasize making informed investment decisions and engaging in diligent business management with a strong focus on the balance sheet to enhance overall organizational profitability. We introduced ROIC-focused management in FY2022.3, establishing a system to set KPIs for each business. This allows us to swiftly identify signs of performance fluctuations and take corrective actions to improve the businesses, with the aim of achieving an ROIC of 5% by FY2027.3. Additionally, it is essential to consider the levels of interest-bearing debt and the cost of equity to maintain a low WACC.

Q. Should we consider striving to enhance our corporate value by reducing our shareholders' equity ratio to 30%, similar to railway companies, which also operate within the infrastructure sector?

Kijima The Daigas Group faces structural risks unique to the energy industry, such as the full liberalization of the gas retail market in 2017 and the obligation to meet carbon neutrality targets. In light of this fact, I believe that the difference in our shareholders' equity ratio compared to other companies reflects not only variations in business format but also our distinct risk perspectives.

While the Group has set a target ROIC of 5% for FY2027.3, I am concerned about the low ROIC of our businesses in the Domestic Energy segment. Similar to railway operations at railway companies, I believe that enhancing the profitability of our core businesses is crucial for elevating our overall ROIC.

To increase our corporate value, it is vital to strategically design our entire balance sheet. While we currently adhere to a guideline of maintaining a shareholders' equity ratio of 45% or higher, we may reconsider this position in the future. The comparison with railway companies provides valuable insights, but we must carefully evaluate whether aiming for the same equity ratio is truly optimal for our unique circumstances.



Q. From the perspective of ROIC, what do you think about separating part of the gas business and its assets?

Kijima While separating certain assets from the gas business may improve the calculated ROIC, it won't result in a fundamental enhancement of ROIC itself. Given that the gas business is integral to our group's mission, we should focus on strategies to genuinely enhance ROIC within that context. Simply advocating for ROIC-focused management within the Group is not sufficient. As an Outside Director, I have a responsibility to deepen my understanding of the profit structure, explore ways to improve both the numerator and denominator of ROIC, and drive us toward the next phase of growth.

Climate change initiatives

I believe that proactive information disclosure and open dialogue are essential for fostering public understanding of advanced initiatives.

Q. How do you evaluate our initiatives aimed at addressing climate change?

Nashioka Based on my extensive experience in environmental accounting, I believe that addressing the social issue of climate change is a critical priority.

In February 2025, the Group announced the Energy Transition 2050 initiative, through which we are implementing practical and strategic measures, such as developing e-methane and carbon capture, utilization, and storage (CCUS) technologies. As an energy company, we prioritize the "S + 3E" framework—safety, environment, economic efficiency, and energy security. We believe it is essential to adopt a balanced approach to achieving a sustainable society, rather than sacrificing all aspects for environmental concerns.

As e-methane and CCUS are not as widely recognized as solar and wind power, we have a role to play in fostering stakeholder understanding through proactive information disclosure and open dialogue.

I also find the concept of "CO₂ emissions reduction contribution" to be quite rational. Companies that launch environmentally friendly products may increase their own CO₂ emissions by expanding production, yet their contributions to overall emissions reduction in society should be properly evaluated. This principle aligns with the "profit contribution effect" and "risk avoidance effect" in environmental accounting, in which I have been engaged.

Ensuring the transparency and reliability of our calculation methods is crucial. Moving forward, more companies must disclose their avoided emissions and establish fair standards through third-party verification and the creation of robust rules. We aim to contribute to developing a system where corporate initiatives are appropriately evaluated, as we stay attuned to trends in international discussions.

Q. With the anticipated full-fledged implementation of carbon pricing, do you believe that disclosing CO₂ reduction targets will be necessary in terms of not only quantity but also monetary value in the future? What is your perspective on this trend, particularly in the energy industry?

Nashioka The concept of carbon pricing is to refute the belief among companies that environmental investments do not contribute to profits. It will contribute to investment decisions in anticipation of the future introduction of emissions trading markets and carbon levies. However, ensuring transparency in calculation methods remains a challenge for external applications, and the system is currently navigating a trial-and-error process. In particular, how to manage e-methane and CCUS will significantly affect



international financial implications. I believe that by clearly defining the basis for financial impact calculations, as well as establishing robust guarantees and consistent rules across the energy industry, we can create a system in which CO₂ reductions are converted into monetary value and subsequently reflected in corporate value.

Insight from an Outside Director Perspective

We aim to enhance our corporate value by identifying hidden risks and quantifying non-financial information from a third-party perspective.

Q. As an Outside Director, what perspectives do you prioritize on a day-to-day basis?

Kijima Since transitioning to a Company with an Audit and Supervisory Committee, we have fewer routine proposals to discuss, but there is a greater necessity for in-depth discussions focused on strategy and risk.

Drawing from my experience in accident response as a management member of JR West, I aim to emphasize both risk and organizational culture, even in the distinctively different energy sector. From the perspective of identifying hidden risks, I will support enhancements in management quality. Instead of simply discussing theoretical concepts, I intend to approach our actions based on practical considerations—understanding which organizational capabilities to leverage, when to act, what to do, and how to execute it. My role will involve highlighting and optimizing the company's strengths.

Nashioka I will leverage my extensive experience as a certified public accountant specializing in environmental and sustainability issues to facilitate

constructive dialogues with stakeholders and contribute to enhancing our corporate value through the quantification of non-financial information.

Given that information disclosure requirements have become more stringent, there are increased opportunities for me to contribute a third-party perspective to the company. Regarding our human resources strategy, we are dedicated to creating an inclusive environment for both men and women. While it may take time to appoint a female director from within the company, I believe that promoting more female managers will positively impact labor productivity. Additionally, we are implementing innovative initiatives to encourage the participation of senior employees, such as extending the retirement age and eliminating mandatory retirement for managerial positions. Quantifying and effectively utilizing human capital will be crucial for increasing our corporate value in the future, and I am eager to actively propose these changes.

Q. What specific hidden risks do you refer to, Mr. Kijima?

Kijima Since I became an Outside Director, the company has experienced serious incidents, such as the accident at the Freeport LNG plant and the fire at the Sodegaura Biomass Power Plant. I continuously observe how each department responds to these events and consider the lessons we can learn to enhance our future actions. While accidents in the gas business are relatively rare, they can have a significant impact when they occur. Therefore, I believe it is crucial to anticipate and prepare for accidents to minimize their consequences.

Q. How do you view the progress of quantifying non-financial information, Ms. Nashioka?

Nashioka Quantifying non-financial information is an area I have been dedicated to since I began my work in environmental accounting. Corporate value creation needs to be evaluated from both economic and social value perspectives. However, discussions around social value have largely remained intuitive, making it challenging to compare and assess effectively. Thus, our key challenge is to quantify non-financial capitals, such as CO₂, water, and human capital, to develop reliable indicators.

For example, the price of one ton of CO₂ emissions has historically varied widely, from a few hundred yen to several tens of thousands of yen. Recently, however, the methods of calculating these values have been refined, bringing them closer to a reliable, verifiable level. I believe we will see gradual progress in the quantification of human capital and other assets in the future. It is crucial for companies to disclose numerical information as indicators of value creation through trial and error. Investors, in turn, must use this information for their decision-making. I am fully dedicated to supporting this movement.

