

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 Nm³/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 Nm³/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."

