

Value Creation Story

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Value Creation Process

The Daigas Group aims to realize a sustainable society and create value, guided by the spirit of our corporate motto, “Service First,” and leveraging our values and competitive capital built over the years.

Realization of a sustainable society

What We Aim to Be A corporate group that powers continuous advancement in customers' lives and businesses.

Four types of value



Creating Value for Customers



Creating Value for Society



Creating Value for Shareholders



Creating Value for Employees

INPUT (FY2026)

Financial capital



- Ordinary profit: 204.5 billion yen
- Investment for business growth: 203.4 billion yen
- Investment for quality improvement: 79.8 billion yen

Manufactured capital



- Domestic thermal power generation capacity: 3.2 GW¹
- Gas manufacturing plant: 2 locations
- Global LNG value chain

Intellectual capital



- R&D expenses: 14.3 billion yen
- Number of projects utilizing GI funds: 1 case
- Broad technical capabilities in fields such as energy and materials

Human capital



- Diverse, highly specialized talent
- Work engagement score: 52.8

Social capital



- Number of customer accounts: 10.89 million accounts
- Number of gas supply contracts: 5.16 million
- Building and maintaining co-creation relationship with stakeholders

Natural capital



- Renewable energy development contribution: 4,540 MW
- LNG handled: 12.40 million tons

Business Model

OUTPUT / OUTCOME

External environment

Materiality P.17

Growth Strategies and Practices P.20-40

Key Strategy: the Three Commitments P.21

Support Employees to Shine in Their Roles

Co-create Value for a Sustainable Future

Evolve Business Foundation

Business portfolio

Domestic Energy Business P.31

International Energy Business P.34

LBS Business P.36

Foundations for Value Creation P.41-54

Strengthening the business foundation

Earning trust from stakeholders

Dialogue with stakeholders

Corporate Governance P.48

Sustainability Management P.54

Management Goals for FY2031

ROIC Approx. **6%**³

ROE Approx. **10%**³

Co-create Value for a Sustainable Future

Promotion of e-methane, etc. practical application
..... **1% e-methane in gas grid**

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

Number of customer accounts
..... **11.5million**

Support Employees to Shine in Their Roles

Work engagement score²
..... **50 or higher**

Evolve Business Foundation

Ratio of female directors
..... **30% or higher**

Strengthening capitals

¹ Includes Himeji Natural Gas Power Plant Unit 2, which began operations in May 2026 ² Deviation in employee engagement results for companies using the Advantage Toughness Survey ³ ROIC and ROE figures are goals for the early 2030s.

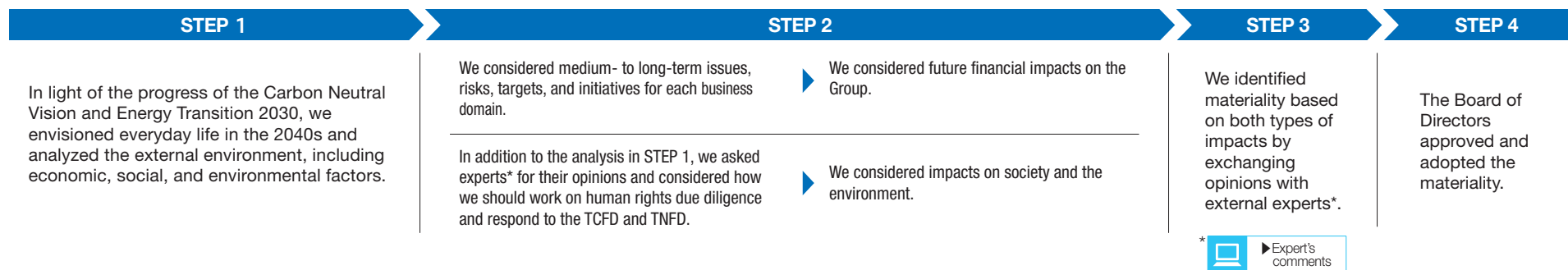
Characteristics of Capitals and Future Initiatives

	The Group's characteristics and strengths in each form of capital	Major issues	Future initiatives	Related materiality
 Financial capital	A sound financial base and investment for growth We have set ROIC and ROE as management indicators, and aim to improve the earning capacity of each business and establish a robust business portfolio.	Pursue profit growth and control shareholders' equity to achieve ROIC of approximately 6% and ROE of approximately 10% in the early 2030s, while maintaining a sound financial base	- Execution of investments for growth that will contribute to profit growth - Implementation of progressive dividends and execution of flexible additional shareholder return policy	Maintain and improve the soundness and flexibility of management foundation
 Manufactured capital	Diverse energy facilities and an LNG value chain that ensures stable supply As a growth domain for the transition period, we are strengthening manufactured capital such as highly efficient natural gas power plants and shale gas development, and began operation of the Himeji Natural Gas Power Plant in 2026. We are strengthening various facilities for supplying energy, leading to stable energy supply.	- Optimize the operation of existing facilities during the transition period and amid the accelerating diffusion of AI - Strengthen the resilience of facilities to cope with increasingly severe natural disasters	- Optimization of the entire energy value chain in response to supply-demand balance and shifts in market fluctuation - Establishment of resilient facilities - Expansion of city gas, shale gas, and other businesses overseas	Enhance the resilience of customers and society
 Intellectual capital	Synergies from an array of technologies developed from the energy field We are expanding our business domains by leveraging synergies across technologies in a wide range of fields, such as the development of technology related to gas synthesis and catalysts in the energy business, the sophisticated utilization of natural gas, and materials derived from coal chemistry.	- Accelerate development of CN technology and other technologies for medium- to long-term growth - Secure rights to development outcomes and establish an intellectual property portfolio	- Development of technologies toward provision of carbon neutral energy - Promotion of the development of new technologies that can give rise to new businesses	Provide carbon neutral energy Co-create advanced, diverse solutions that meet customer values
 Human capital	Diverse employees who embody the Daigas Group Corporate Principles With the spirit of Service First, which has guided us since our founding, and the three guiding principles (customer-oriented approach, wholeheartedness and a sense of mission, and enterprising spirit) serving as a base, a corporate culture in which diverse employees work to bring out the best in one another has taken root. A high employee engagement score is also being maintained, and we have established an environment in which employees can tackle their work with enthusiasm.	- Further develop and secure highly specialized talent to drive business portfolio evolution as well as business transformation through DX, etc. - Retain employees with diverse backgrounds, and maintain and improve employee engagement - Visualize HR information, including portable skills, and enhance accuracy in matching the right person to the right position	- Hiring diverse, highly specialized talent - Supporting employee development through HR policy improvements - Creating an environment where the right person is appointed to the right position through more sophisticated talent management	Create an environment that enhances value for employees and the company Co-create advanced, diverse solutions that meet customer values
 Social capital	A strong foundation of trust with communities and society Through more than 120 years of gas supply, the Group has become deeply rooted in local communities and built trust in our corporate brand. In response to customer needs that change with the times, we have deepened engagement by diversifying points of contact for peripheral services and the creation of new businesses in collaboration with other companies. By accelerating co-creation with stakeholders, we are creating new social value and achieving sustainable business growth.	- Provide new services and value in response to changing lifestyles - Build co-creation models with multiple stakeholders for the realization of a sustainable society - Respond to intensifying competition due to energy liberalization	- Offering a diverse range of solutions beyond traditional energy services while expanding into new service areas - Expansion of services and enhancement of added value in line with customer needs	Co-create advanced, diverse solutions that meet customer values Maintain and improve the soundness and flexibility of management foundation
 Natural capital	Effective use of finite resources and conservation of natural capital We recognize that natural gas is a finite resource and strive to use it efficiently and effectively. Through the effective use of natural gas and renewable energy, which is important during the transition period, we contribute to reducing CO ₂ emissions across society as a whole. We are also working to maintain and restore natural capital through sustainable biomass resource use, forest conservation, and other means.	- Balance the provision of carbon neutral energy with stable supply, while giving consideration to biodiversity and forest conservation - Curb GHG emissions in the LNG procurement supply chain	- Diversification of carbon neutral power sources, such as renewable energy - Greenhouse gas emissions reductions and forest conservation across the entire supply chain	Provide carbon neutral energy Enhance the resilience of customers and society

Materiality Indicators, Targets and Results

In formulating the Medium-Term Management Plan 2026, we identified five materialities taking into account the views of experts and other stakeholders. To strengthen alignment with our management strategy and promote initiatives that contribute to “co-create value for a sustainable future,” “support employees to shine in their roles,” and “evolve the business foundation,” we have established indicators and targets to monitor progress of these initiatives. For indicators that achieved their FY2027 targets ahead of schedule as of FY2026 through accelerated initiatives, we will continue to pursue further improvements without being constrained by those targets. For details on why each materiality is considered important, please refer to our Sustainability Website.

Materiality Identification Process



For our initiatives in FY2026, please see the Sustainability Report 2026.

Key strategy	Materiality	Sustainability indicators	Risks	Opportunities	Main achievements in FY2025	Main achievements in FY2026	FY2027 targets	FY2031 targets
Co-create value for a sustainable future 	Provide carbon neutral energy	Avoided emissions ¹	- Impact on business plans stemming from international rules and regulations related to carbon neutrality - Intensifying competition to secure suitable business sites	- Global promotion of widespread use and advanced utilization of natural gas - Development of e-methane, hydrogen, and other new energy sources - Promotion of business that provides carbon neutral energy seamlessly by utilizing established equipment and infrastructures - Development of carbon neutral technologies and services	6.29 million tons/year	7.38 million tons/year	7 million tons/year	10 million tons/year
		Renewable energy development contribution			3.7 GW	4.54 GW	4 GW	5 GW
		Percentage of renewables in our power generation portfolio in Japan			30.4%	38.0%	Approx. 30%	Approx. 50%
		CO ₂ emissions of Daigas Group ²			23.44 million tons (-8.58 million tons)	23.32 million tons (-8.70 million tons)	—	27.02 million tons (-5 million tons)
		CO ₂ emissions reduction in the Group company offices and vehicles			50%	57%	67%	100%
		Promotion of e-methane, etc. practical application			Conducted a detailed FEED study on e-methane supply chain projects	Decided to conduct FEED study on e-methane supply chain projects	Final investment decisions in e-methane supply chain projects	1% e-methane in gas grid
		Promotion of methanation technology development			Completed the first phase of SOEC GI funds business and formulated the second phase implementation plan	Completed manufacture of SOEC methanation bench-scale equipment and began trial operation	Transition to the second phase of SOEC GI funds business	Establishing a pilot-scale (400 Nm ³ /h class) SOEC technology

Materiality Indicators, Targets and Results

Key strategy	Materiality	Sustainability indicators	Risks	Opportunities	Main achievements in FY2025	Main achievements in FY2026	FY2027 targets	FY2031 targets
Co-create value for a sustainable future 	Enhance the resilience of customers and society	Number of serious accidents and serious energy supply disruptions caused by the company	● Difficulty in procuring fuels and materials	● Building disaster-resilient infrastructure and expanding demand through product development	Zero	Zero	Zero	Zero
		Establishment of resilient facilities	● Increase in costs for facility repair and measures against natural disasters ● Supply disruption due to disasters and accidents	● Maintenance of sustainable business foundations through sharing disaster preparedness knowledge and collaborating with local communities	● Seismic retrofit rate: Approx. 90% ● Number of seismic supply blocks: 738 blocks ● Completed countermeasures for gray cast iron pipes	● Seismic retrofit rate: Approx. 90% ● Number of seismic supply blocks: 745 blocks	Implementation of measures for disaster prevention and aging pipes	
	Co-create advanced, diverse solutions that meet customer values	Customer accounts	● Changes in customer mindset	● Improving operational efficiency and productivity through digital transformation	10.71 million accounts	10.89 million accounts	10.9 million accounts	11.5 million accounts
		Customer satisfaction rate	● Delay in the advancement of digital transformation	● Strengthening new business creation capabilities through business transformation and behavior change	92%	93%	90%	—
		Creation of innovation	● Obsolescence of existing business models ● Intensifying competition due to productivity improvement and new market entrants	● Strengthening organizational culture and structure for the creation of new businesses and services	Social implementation of new services that contribute to low/decarbonization and efficient infrastructure maintenance	Social implementation of diverse new services in the digital, energy, and environment domains	Creation of new business and services	
Support employees to shine in their roles 	Create an environment that enhances value for employees and the company	Percentage of women among employees newly promoted to middle management positions	● Shortage of workers ● Increased measures to secure and develop the next generation	● Promotion of innovation through a diverse workforce ● Maximization of output	18.2%	17.4%	20% or higher	30% or higher
		Percentage of women among newly hired career-track employees			39.4%	31.5%	30% or higher	30% or higher
		Work engagement score ³			52.2	52.8	50 or more	50 or more
		Total number of new graduates and mid-career hires (career-track positions)			116 people	Cumulative total of 2 years: 250 people	Cumulative total of 3 years: 330 people	—
		Readiness rate for next-generation management talent			260%	280%	250%	—

Materiality Indicators, Targets and Results

Key strategy	Materiality	Sustainability indicators	Risks	Opportunities	Main achievements in FY2025	Main achievements in FY2026	FY2027 targets	FY2031 targets
Evolving the business foundation 	Maintain and improve the soundness and flexibility of management foundation	Percentage of female directors	● Tightening, amendment and repeal of laws and regulations ● Loss of trust from stakeholders ● Disruption to business continuity due to litigation, suspension of transactions, etc. ● Increased difficulty in raising funds	● Strengthening of corporate governance ● Strengthening of compliance ● Stabilising of the Group's business revenue through the development of local communities	26.7%	26.7%	25% or higher	30% or higher
		Number of serious violations of laws and regulations			1 case ⁴	Zero	Zero	Zero
		Recruitment of DX core staff			243 employees	310 employees	300 employees	—
		Respect for human rights			Implemented human rights due diligence	Implemented human rights due diligence and identified risks in each business	Promotion of human rights initiatives across the Daigas Group and throughout the supply chain	
		Contribution to local communities			● Provided next-generation education on energy and the environment, disaster preparedness, etc. ● Provided support for children in need of social care and employment support for people with disabilities ● Supported local governments in implementing their climate action plans	● Promoted the healthy development of the next generation through energy and environmental education, disaster preparedness education, and the NOBY SPORTS CLUB ● Provided support for children in need of social care and employment support for people with disabilities ● Implemented community co-creation activities in collaboration with NPOs, etc. ● Participated in administrative activities (urban development concepts, etc.)	Engagement with local communities	
		Sustainable growth of LBS business			● Materials business: Reduced environmental impact by introducing power generation facilities utilizing waste heat from an activated carbon plant in India ● Information Technology business: Supported the employment of people with disabilities and contributed to environmental sustainability through PC reuse initiatives ● Urban Development business: Obtained ZEH-M certification for rental apartments and condominiums	● Materials business: Expanded the FY2025 initiative to other factories in India and, to reduce environmental impact, considered introducing a new carbonization furnace and a power generation facility utilizing its waste heat ● Information Technology business: Contributed to environmental sustainability, supported the employment of people with disabilities through the donation of refurbished PCs and the outsourcing of work to welfare workshops, and provided support for people with disabilities and children through employee participation events ● Urban Development business: Obtained ZEH-M certification for rental apartments and condominiums, and promoted ZEB-Ready and other certifications for other development projects.	Promoting distinctive sustainability initiatives in the LBS business	

¹ Calculate the estimated effect of CO₂ emissions reduction in one year of the target FY by introducing high efficiency facilities and low carbon energy, etc. to customer sites and the company's business activities in and after FY2018.

² CO₂ emissions in the domestic supply chain (Scope 1, 2 & 3). Figures in parentheses represent CO₂ emissions reduction compared to FY2018. Please refer to □ P.57 and □ the Sustainability Report 2026 for greenhouse gas emissions from the Daigas Group's value chain (Scope 1, 2 & 3).

³ Deviation in work engagement results for companies using the Advantage Toughness Survey

⁴ Please refer to □ P.54 for further details on inappropriate conduct in the sale of ENE-FARM in FY2025.