

Message from the CFO

We Aim to Sustainably Enhance Corporate Value through Management Focused on Further Improving Underlying Profit and Capital Efficiency



Executive Vice President and
Chief Financial Officer

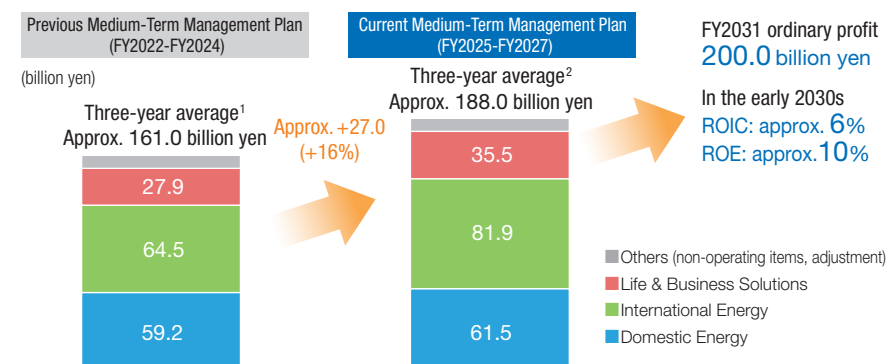
Ko Sakanashi

Under the Medium-Term Management Plan 2026, the Daigas Group has set targets of 5.0% for ROIC and 8.0% for ROE and is pursuing management focused on capital efficiency while maintaining financial soundness, with a shareholders' equity ratio of 45% or higher and a D/E ratio of 0.8 or lower. To achieve these targets, we have taken seriously the insights gained through our dialogue with shareholders and investors and have advanced our efforts along two fronts: profit growth and management of shareholders' equity. As a result of these efforts, underlying profit has steadily increased. Building on this progress, we will continue to enhance corporate value sustainably through balance sheet optimization, by consistently pursuing an asset-light approach to management and executing disciplined cash allocation.

Steady Growth in Underlying Profit and Enhancement of Shareholder Returns

Fiscal year ended March 2026 (FY2026), the second year of the Medium-Term Plan 2026, was a year in which we saw tangible progress in the Daigas Group's active portfolio-focused management. Consolidated ordinary profit for FY2026, excluding the time-lag effect, was 195.3 billion yen. Including our outlook for the final year of the plan, we expect the three-year average ordinary profit to be approximately 188.0 billion yen, representing a 16% increase compared with approximately 161.0 billion yen during the previous Medium-Term Plan period. Across our businesses, we have pursued business expansion through investment for growth while responding flexibly to changes in market conditions and steadily creating added value. These efforts have helped raise the overall level of profit across the Group.

■ Three-year Average Ordinary Profit (excluding time-lag effect)



Flexible management of shareholders' equity

¹ Simple average of three-year results

² Average of FY2025 and FY2026 results, and FY2027 forecasts

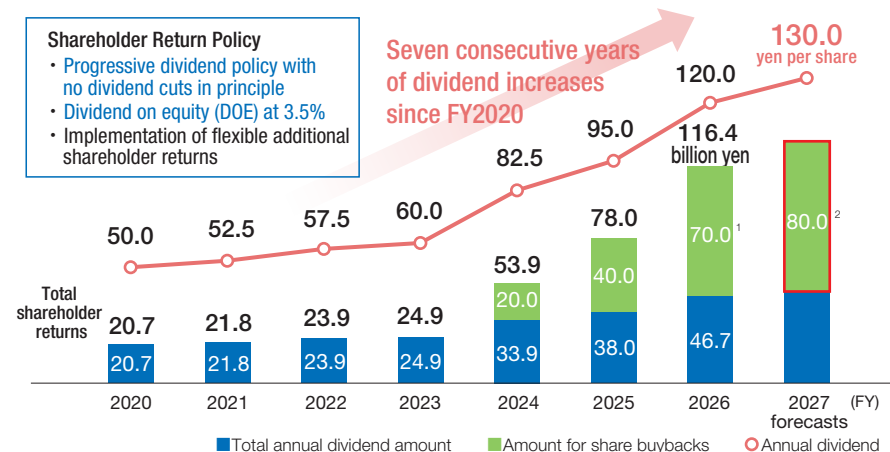


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Building on the steady improvement in underlying profit, we have decided to further enhance shareholder returns. Our progressive dividend policy, under which we do not reduce dividends in principle, remains the foundation of our approach. At the interim period of FY2026, we raised our dividend on equity (DOE) from 3.0% to 3.5%. Through ongoing dialogue with the capital markets, and taking into account our commitment to sustainable growth from the next Medium-Term Plan onward, we concluded that implementing the increase early would be beneficial to our shareholders and investors as well as to the Company. For FY2027, we plan to pay an annual dividend of 130 yen per share based on this new DOE level, representing an increase of 10 yen per share from the previous fiscal year. This will enhance the predictability of shareholder returns, while we will also continue share buybacks as a flexible means of providing additional shareholder returns. In May, we announced a share buyback of up to 80.0 billion yen, to be carried out over approximately one year.

In FY2027, uncertainty remains, particularly due to global geopolitical risks. While further strengthening our efforts to identify medium- to long-term risks, assess their potential impacts, and consider appropriate responses, we will steadily advance our initiatives in both Japan and overseas toward the Medium-Term Plan's final-year targets of 5% ROIC and 8% ROE.

Looking further ahead, we have set a medium- to long-term goal of approximately 6% ROIC and approximately 10% ROE for the early 2030s. We will continue to pursue this goal through profit growth (the numerator) and appropriate management of shareholders' equity (the denominator). In particular, we will remain focused on driving profit growth. We aim to increase underlying profit by making investments for growth in high-quality projects while steadily advancing initiatives across each of our businesses.



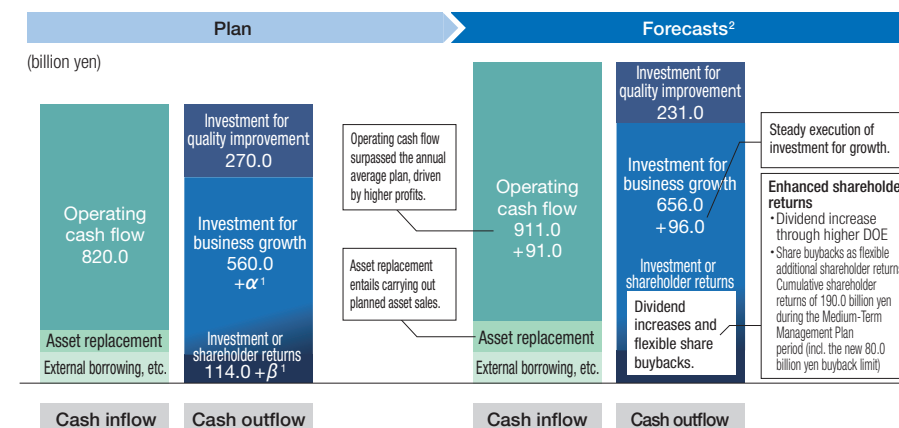
1 Repurchase period through April 24, 2026 2 Maximum acquisition amount through March 31, 2027

Cash Allocation and Investment for Growth

As our businesses have grown, the Daigas Group's ability to generate cash has steadily increased. We now expect cumulative operating cash flow over the three years of the Medium-Term Plan 2026 to reach 911.0 billion yen, 91.0 billion yen above our initial forecast. In addition, asset replacement in line with our asset-light management policy has also significantly increased our cash inflows. We are using these funds to make investments for growth in excess of our plan and to further enhance shareholder returns.

Our three-year cumulative investment plan allocates 231.0 billion yen in investments for quality improvement and 656.0 billion yen in investments for growth. Investments for growth are expected to exceed our initial plan by 96.0 billion yen. In the Domestic Energy segment, we are investing in renewable energy in addition to constructing the Himeji Natural Gas Power Plant, a state-of-the-art, high-efficiency natural gas-fired power plant. In the International Energy segment, we continue to invest in shale gas development, which has been performing well, while in the LBS segment, we continue to invest primarily in the real estate development business. Investments for quality improvement include strengthening the resilience of facilities to ensure stable gas supply, as well as investments in digital transformation to enhance safety and improve productivity.

Cumulative Cash Allocation for Current Medium-Term Management Plan (FY2025-FY2027)



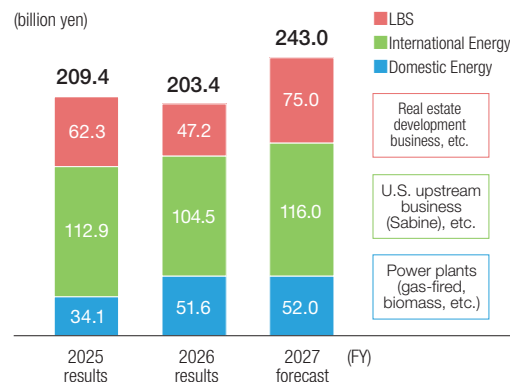
1 We have established a framework, labeled α and β in the graph, that provides additional capacity for investments for growth and/or shareholder returns, to support the achievement of our medium-term targets and the levels we aim to reach by 2030. This framework allows us to maximize investment opportunities in promising growth projects while flexibly providing shareholder returns.

2 Figures are rounded to the nearest 1.0 billion yen.

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At the same time, we believe that maintaining a strong financial base is essential to steadily advancing investments for growth and achieving sustainable enhancement of corporate value. To date, we have maintained high credit ratings,* enabling us to keep our funding costs relatively low while securing attractive investment opportunities. This financial base is a strength of the Daigas Group, and we believe it gives us an advantage even in the current

■ Investment for business growth



environment of rising interest rates. Going forward, while remaining mindful of our cost of capital, we will continue to make investments that will drive future profit growth, focusing on areas that contribute to strengthening our value chain, as well as overseas businesses and other areas that we have identified as growth drivers.

* Ratings of AA+ from Rating and Investment Information, Inc.; A+ from S&P Global Ratings Japan Inc.; and A1 from Moody's Japan K.K.

Enhancing Capital Efficiency through a Disciplined Asset-Light Approach

The Daigas Group introduced ROIC-based management in FY2022 and has since worked to embed a management approach that takes the cost of capital into account throughout the organization. Under the Medium-Term Plan 2026, alongside the steady execution of investments for growth, we have clearly articulated our commitment to an asset-light approach to management and advanced initiatives to widen the ROIC-WACC spread.

Asset-light management, as we define it, means identifying the sources of added value and competitive advantage in our businesses and strategically retaining assets whose value can be maximized through our ownership, while flexibly selecting the optimal allocation of resources for assets where this is not necessarily the case, including through the use of external capital or divestitures. In line with this policy, in FY2026 we sold several thermal power plants in our U.S. power operations that we determined had become relatively less competitive, thereby improving capital efficiency by focusing our portfolio on assets with greater potential for value enhancement.

In the real estate business within the LBS segment, we are also accelerating the shift from a primarily asset-holding model toward a model focused more on asset turnover, including sales to private REITs. In domestic renewable energy, we are also managing risk and capital efficiency while improving the predictability of investment recovery through stronger partnerships and the use of investment funds. Going forward, we will continue to pursue this asset-light approach rigorously, aiming for sustained improvement in ROE and ROIC.

Investment Risk Management at the Daigas Group

As our investment for growth expands, the importance of risk management is also increasing. We maintain a rigorous risk management framework based on the following disciplines.

The first discipline is “assessing alignment with business strategy.” We evaluate not only the profitability of individual projects, but also a range of factors, including potential synergies with other Daigas Group businesses and their contribution to enhancing our operational capabilities.

The second discipline is “evaluating inherent risks.” Based on our group-wide investment standards, the Investment Evaluation Committee deliberates on each investment project, taking into account assessments by our Investment Risk Management Office, finance and legal departments, and external experts. For risks inherent in each project, we have established a framework to comprehensively identify, map, and assess risks from both technical dimensions, such as construction, operations, and maintenance, and commercial dimensions, such as regulatory, market, and contractual factors.

The third discipline is “maintaining a balance with financial soundness.” We quantify the potential losses that could result if anticipated post-investment risks materialize and manage our portfolio balance at the company-wide level. This allows us to continue making investments for growth while maintaining financial soundness.

The fourth discipline is “post-investment follow-up.” After each investment, we conduct annual monitoring to assess whether the original strategic objectives are being met and whether the business is keeping pace with changes in the business environment. Based on those findings, we act swiftly to improve business viability or undertake a fundamental review, including divestitures or exit.

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Advancing Our Carbon Neutrality Strategy through the Proactive Use of Transition Finance

The Daigas Group regards the energy transition toward a low-carbon, carbon-neutral society as its most critical priority and continues to use transition finance as a financing mechanism to support this transition. Through our financing activities, we also seek to deepen investors' understanding of our carbon neutrality strategy, as set out in Energy Transition 2050 and other initiatives.

The Himeji Natural Gas Power Plant, which was under construction using these proceeds, began operating Units 1 and 2 in January and May 2026, respectively. Going forward, we will continue to strategically use transition finance, contributing to a sustainable society while enhancing corporate value.

■ 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 Mitsu Bay Wind Farm, Yokohama Town Wind Power Plant, Daigas Oita Mirai Solar Power Plant, and projects that support the conversion of customer facilities 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	35.0 billion 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	25.0 billion yen	None
Transition-linked loan	September 2024	30.0 billion yen	None



Constructive Dialogue with Shareholders and Investors

Over the past year, our share price has risen, and we have achieved a price-to-book ratio (PBR) above 1.0x, a long-standing goal. We recognize this as a result of the capital markets giving a certain degree of recognition to our efforts to improve underlying profit and our capital policy, which have been informed in part by the feedback we have received through dialogue with shareholders and investors. That said, share price movements are also influenced by broader market conditions. We therefore believe it is essential to remain focused on steadily advancing our efforts to achieve medium- to long-term profit growth and improve ROIC and ROE, rather than being overly influenced by short-term share price movements.

Geopolitical risks in various parts of the world, along with fluctuations in the macroeconomic environment, continue to create uncertainty about the outlook. Even so, drawing on a resilient business portfolio and financial base, the Daigas Group will steadily advance toward achieving approximately 6% ROIC and approximately 10% ROE in the early 2030s. We will continue our constructive dialogue with shareholders and investors as we work to maximize corporate value, and we ask for your continued support.