

Dialogue between Outside Directors and Institutional Investors

Through Constructive Dialogue with Investors, We Seek to Achieve Sustainable Growth and Enhance Corporate Value.

As part of its efforts to strengthen governance, the Daigas Group provides opportunities for dialogue between Outside Directors and institutional investors. In March 2026, three Outside Directors engaged in candid discussions with institutional investors on a wide range of topics, including growth strategies, capital efficiency, and the role of an infrastructure company.



■ **Kazutoshi Murao**

Outside Director

Appointed as an Outside Director of Osaka Gas in 2019.

- Chairperson of the Advisory Committee on Appointment
- Main areas of expertise: Corporate management, organizational management, risk management, etc.



■ **Yumiko Sato**

Outside Director

Appointed as an Outside Director of Osaka Gas in 2021.

- Chairperson of the Advisory Committee on Remuneration
- Main areas of expertise: Sustainability in life and culture, etc.



■ **Chieko Minami**

Outside Director serving as an Audit and Supervisory Committee Member

After serving as an Outside Member of the Audit and Supervisory Board in 2023, she was appointed as an Outside Director serving as an Audit and Supervisory Committee Member in 2024.

- Main areas of expertise: Marketing, DX, corporate management, organizational management, etc.

“ Perspectives as Outside Directors

We support the Group's management by drawing on diverse expertise from outside the Company in areas such as balancing the public interest with growth and promoting diversity. ”

Q. How do you apply your knowledge and experience to the management of the Daigas Group?

■ **Murao** Having been involved in the management of businesses that serve the public interest, such as telecommunications, for many years, I have always focused on how to maintain the right balance in management. On the one hand, we must fulfill our mission as a public-interest business that supports the infrastructure underpinning people's daily lives; on the other, we must achieve sustainable corporate growth. To balance these two objectives, I place particular importance on ensuring that the Daigas Group is steadily implementing strategies from a medium- to long-term perspective, and I

oversee management from an outside perspective.

■ **Sato** I spent many years conducting research on everyday life and culture at a private company's research institute, and have also followed social trends over time through my service on national government advisory councils and local government committees. Because I am able to provide an external perspective as an Outside Director, I strive to offer proposals that are not bound by existing frameworks.

I also actively engage in dialogue with employees because I hope that the Daigas Group will become a leader in women's empowerment. The Group has many talented people, and I believe that having diverse values is beneficial to corporate decision-making and growth. I consider this initiative to be one of my important missions.

■ **Minami** As an Outside Director serving as an Audit and Supervisory Committee Member, I place particular importance on maintaining my independence while comprehensively assessing risks. Outside Directors serving

on the Audit and Supervisory Committee are often legal or accounting professionals. My own areas of expertise, however, are business administration and marketing. To enhance corporate value, I also pay close attention to whether the Daigas Group's strengths are being fully leveraged and effectively applied to its management.

“ Optimizing the Business Portfolio

Flexible decision-making based on multiple scenarios and timely optimization of the business portfolio are essential. ”

Q. As uncertainty continues to grow across society, what advice do you provide on the Group's business strategy?

■ **Murao** Navigating the uncertain business environment is indeed a very difficult management challenge. In our pursuit of sustainable growth, we determine our strategies with medium- to long-term scenarios in mind. However, in



times of heightened uncertainty like this, I believe that we need to consider and respond to multiple scenarios rather than relying on a single assumption. The flexibility to review scenarios as circumstances develop is crucial, and the executive team is keenly aware of this. We also appreciate the Group's efforts to review past experiences and challenges and to develop appropriate responses based on them, and as Outside Directors, we will support these discussions.

Q. What do you consider most important when it comes to optimizing the business portfolio?

■ **Minami** In our U.S. operations, we are continuously reviewing our existing businesses as part of our asset-light approach to management, including gradually selling power plants with limited prospects for profitability. I believe these efforts are progressing steadily.

■ **Murao** I believe that the Daigas Group's current business portfolio is well balanced, built around our domestic gas operations and spanning businesses in areas such as electricity, international energy, and real estate. We also evaluate and review our business portfolio every year from the perspective of medium- to long-term growth, and the Board of Directors engages in in-depth discussions on the portfolio.

■ **Sato** While various discussions and reviews are taking place, I sometimes feel that it can take longer than ideal to make decisions on whether to continue or exit individual



businesses. The Daigas Group often develops new businesses from the bottom up, but when it comes to exiting a business, top-down decision-making is often necessary. Finding the right balance is an important issue. Other companies, for example, appear to make faster decisions on exiting businesses through a top-down approach, so I believe this is something we should keep in mind when considering our portfolio, including how to achieve agility.

“ Toward Our Next Stage of Growth

While our domestic operations remain the foundation of the Group, acquiring new customers through our international operations, with appropriate risk management in place, is an essential strategy. ”

Q. How do you define “customers” when discussing the business portfolio? Has the profile of your target customers changed—from households and businesses in the Kansai region, as in the past, to customers across Japan or even around the world?

■ **Murao** As the scope of our businesses has expanded significantly, so too has our customer base—from our gas business in the Kansai region to gas and electricity businesses in Japan, and further to gas and electricity businesses overseas, particularly in the United States and India.

I saw this change firsthand during a recent visit to our gas distribution operations in India. A number of global technology companies are developing data centers, while demand for clean energy is also growing. In other words, through our international expansion, the Group is developing a new customer segment: global companies that place a strong emphasis on environmental value, distinct from our traditional customer base.

As the Group has expanded into businesses such as gas, electricity, and real estate, our customer base has also expanded significantly. In addition, in recent years, we have been expanding our efforts to offer customers solutions for more efficient energy use. The nature of our business has changed dramatically compared with 20 years ago.



■ **Minami** While it is important to recognize that each business serves different customers, I also feel that the Group remains committed to its roots, as reflected in the CEO's statement that “our gas customers are our top priority.” At the same time, considering Japan's demographic trends, there are limits to the growth of domestic demand. To continue growing as a company, I believe that acquiring new customers through international expansion, while maintaining our domestic customer base as our foundation, is a strategy we cannot afford to overlook.

Q. As the share of the Group's international operations has increased in recent years, how do you view the risks associated with international expansion?

■ **Minami** Our U.S. upstream operations and Freeport LNG have been growing steadily and have become reliable contributors to the Group's earnings. However, determining how much risk to take is always an important consideration. The Daigas Group is making cumulative investments for growth of ¥560.0 billion over the period of the Medium-Term Management Plan 2026. I believe this reflects a well-balanced approach to investments for growth in international operations, appropriately managing risks by diversifying them through measures such as participation in consortia.

The LBS segment has relatively low-volatility businesses in Japan, which is a strength that makes it easier for the Group as a whole to pursue international business opportunities. From a marketing perspective, securing upstream interests is important for an energy company.

While the investment is substantial, I believe such involvement is strategically important.



Enhancing Capital Efficiency

While continuing discussions on improving profitability and fulfilling our public interest role, we prioritize an appropriate balance between investments for growth and shareholder returns and oversee efforts to steadily improve ROE.

Q. The Daigas Group's capital and financial strategy has been well received by the equity markets. Its efforts to improve capital efficiency with a target ROE of 8%, raise DOE, and achieve ROE of 10% in the early 2030s appear to put the Group ahead of its peers. As an Outside Director, how are you involved in and overseeing these capital strategies?

Minami While there are various views on share buybacks, I have supported them based on their effectiveness and significance. Capital efficiency is an issue that listed companies cannot avoid addressing, and since the Daigas Group has clearly stated its commitment to improving capital efficiency, I believe it is important to make steady progress in that direction.

Murao The key is to strike an appropriate balance between shareholder returns and investment for growth. When discussing ROE targets such as 8% or 10%, I believe

it is important to first confirm how much investment for growth is being made and whether the scale of that investment is clearly presented in concrete figures. Under the current Medium-Term Plan, investment for growth has increased significantly compared with the previous plan, while shareholder returns have also been strengthened. Considering these factors, I believe the Daigas Group is currently pursuing a balanced approach that takes both growth and shareholder returns into account.

Q. Foreign investors are particularly interested in improving ROIC in the Domestic Energy segment. As an infrastructure company, how do you view the balance between improving profitability and fulfilling our public interest role?

Minami I fully understand investors' view that our domestic energy operations, with a larger asset base than our international energy operations, tend to appear relatively less capital-efficient. On the other hand, given our mission to provide a stable supply of gas and electricity to society, it is true that there are aspects that cannot be evaluated based on profitability alone. Of course, this does not mean that we can leave inefficiencies unaddressed, but realistically, they cannot be improved overnight.

Regarding equity capital, there remains a strong view that the Group should maintain a solid equity base from the perspectives of ensuring a stable energy supply and responding to disasters, and continued discussion is needed to determine the appropriate level. We express our views candidly on these issues through meetings of Outside Directors and the Advisory Committee on Management, and continue to engage in these discussions with a keen awareness of our relationship with the capital markets.

Murao In addressing these issues, we believe there is room to consider options such as utilizing external financing and reviewing our capital structure as needed. Furthermore, the maintenance and renewal of infrastructure cannot be addressed by a single company alone; creative approaches, including the use of public-private partnerships (PPPs) and

other forms of collaboration with external parties, are crucial. For example, in the telecommunications sector, universal service mechanisms have been introduced as a way of supporting infrastructure across society. In the energy sector, it is also necessary to deepen discussions from this perspective. Addressing aging infrastructure is an unavoidable challenge in maintaining Japan's economic foundation, and we intend to continue addressing this issue with a strong sense of urgency.

Advancing Sustainability

It is important to remain committed to initiatives that contribute to global emissions reductions, while keeping the medium- to long-term direction toward carbon neutrality in mind.

Q. As an Outside Director, from what perspective do you encourage discussions on sustainability initiatives and ensure their effectiveness?

Murao While we are seeing changes in various trends at present, carbon neutrality remains an unavoidable challenge that must be addressed globally from a medium- to long-term perspective, and I believe the Group is managing its business with this direction firmly in mind. Although there may be some flexibility in the specific timing and approach depending on technological advancements and developments in international rules, I believe the basic direction will remain unchanged.

Furthermore, from this perspective, I believe the Group's efforts should be evaluated not only on the basis of its own emissions, but also on the extent to which they contribute to reducing emissions on a global scale. Even if the provision of highly efficient energy leads to increased energy use by customers and consequently appears to increase emissions, it is necessary to consider the overall reduction in emissions. It is important to continue advocating this perspective in international rule-making, and I believe the Daigas Group is moving forward without wavering.