

# Materiality

In identifying materiality, the Group held discussions with the relevant organizations within the Group and extracted medium- to long-term items with an impact on society and the environment, followed by items with future financial impacts on the Group, based on changes in the business environment and social trends related to sustainability. After considering the impacts of each item, material issues concerning the impact on society and the environment were identified with reference to the opinions of outside experts. Based on these processes, the Group’s medium-term management plan advocates “Co-create value for a sustainable future” as it positions the pursuit of value creation for solving social issues and achieving it together with stakeholders as one of its priority strategies.

## Process of Materiality Identification

We consulted the Global Reporting Initiative (GRI) Standards for the procedure for identifying our material issues. Referring to material topics (economic, environmental, and social topics) in topic-specific GRI Standards (the 200, 300, and 400 series), we assessed the social and environmental impacts of various issues and their financial impacts on the Daigas Group’s future. Based on the assessment results, we positioned those issues according to their importance as shown by the impact evaluation chart below right. Finally, we identified issues positioned at **1** in the chart as our material issues. The identified material issues and KPI targets associated with them were discussed by the ESG Committee and the ESG Council (Management Meeting) and then approved together with the Medium-Term Management Plan by the Board of Directors. We strive to achieve the KPI targets for our material issues while making the PDCA (plan-do-check-act) cycle function well and report the progress every year.

### ■ Process of Materiality Identification

#### Step1

In terms of global risks, changes in the business environment, and contributions to the SDGs via business activities, we listed the items of “impacts on society and the environment” and “future financial impacts on the Group” for the Daigas Group, using the GRI Standards, etc. as a reference.

#### Step2

For “future financial impacts on the group,” we considered what we aim to be, issues, and risks for FY2031.3 by each organization and business domain within the Daigas Group. For “impacts on society and the environment,” we had deliberations by taking into account the opinions of external experts.

#### Step3

We considered the impacts of each item in both “impacts on society and the environment” and “future financial impacts on the group” in terms of risks and opportunities, scored the degree of significance, and identified materiality.

#### Step4

We have revised the Daigas Group Charter of Business Conduct and other documents based on the identified materiality. The materiality as indicators of efforts to embody the Charter and contribute to the realization of a sustainable society, along with the Medium-Term Management Plan, was presented to the Board of Directors and decided with the approval of the Board.

#### Step1

Analyzed the external environment in 2030 in areas such as economy, society, and the environment

#### Step2

Considered what we aim to be, issues, and risks for 2030 by each business domain	In addition to the analysis in STEP 1, held interviews with external experts
Considered “future financial impacts on the group”	Considered “impacts on society and the environment”

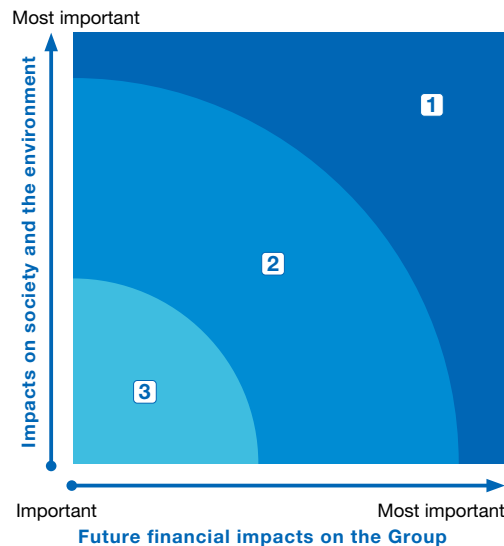
#### Step3

Identified materiality in view of the impacts on both

#### Step4

Approved and decided at the Board of Directors

### ■ Impact Evaluation Chart



#### 1

- Climate change
- Customer health and safety
- Stable supply of services
- Maintain and expand customer base
- Coexistence with local community
- Improvement of customer satisfaction and quality of services
- Supply chain management
- Compliance
- Employee engagement
- Development of employee skills
- Diversity and inclusion

#### 2

- Occupational health and safety
- Development of regional economies (in emerging markets)
- Provision of information to customers and consumers
- Pollution prevention and chemical materials
- Tax
- Ethical actions
- Securing employment
- Freedom of association and collective bargaining rights

#### 3

- Recycling-oriented economy (use of raw materials)
- Political donation
- Biodiversity
- Appropriate use of water

## ■ Why the Issue Is Material

Materiality	Reason
<b>Maintain and expand customer base</b>	The Daigas Group's business began more than a hundred years ago with gas lamps. Since then, the Group has continued to meet the various needs of its customers by developing uses for gas in cooking, water/space, heating, power generation, and more. We also use our strong relationship with customers as a basis for expanding into new territories such as industrial gas, real estate, information communication, new materials, and home services. The Group considers its meaning for society to be in striving to improve the livelihoods and businesses of its numerous customers, based on its aim to become a corporate group that helps customers both on the livelihood and business fronts for their "further evolution".
<b>Improvement of customer satisfaction and quality of services</b>	We believe it is important to strive to improve our security and service quality as well as appropriately provide customers with information regarding the safety aspects of our products and services so that they can use them in a safer and more convenient manner.
<b>Customer health and safety</b>	The Daigas Group announced the Long-Term Management Vision 2030 in March 2017 and the Medium-Term Management Plan 2023 in March 2021. Ensuring the safety of city gas as well as gas and power generation facilities is of the utmost priority for the Group. To that end, we consider it important to work towards enhancing safety and improving preparedness for accidents and disasters.
<b>Stable supply of services</b>	For the Daigas Group, which aims to enhance the resilience of customers and society, we believe that it is important to systematically upgrade our processing facilities, maintain gas pipeline networks, and take disaster prevention measures in accordance with meticulously devised plans to ensure a stable city gas supply, thereby strengthening our ability to secure greater stability in the gas supply.
<b>Climate change</b>	Tackling climate change is seen as one of the Sustainable Development Goals (SDGs) adopted by the United Nations. For the Daigas Group, climate change represents an important management challenge, and initiatives to reduce CO <sub>2</sub> emissions are a crucial mission.
<b>Coexistence with local community</b>	The Daigas Group operates a business that is rooted in and supported by local communities. We believe that our various contributions to local communities will lead to a virtuous cycle leading to the development of both the Group and society.
<b>Supply chain management</b>	Our broad-based city gas value chain is built on the cooperation of various business partners. Fulfilling our social responsibility by working with our suppliers in the value chain builds relationships of trust with our stakeholders and furthers the development of the entire value chain.
<b>Compliance</b>	The Daigas Group's view on compliance is that it entails sensible corporate activities based on sound ethics with a particular focus on observing laws and regulations. To maintain the trust of stakeholders, it is vital to ensure that our directors, officers, and employees uphold compliance.
<b>Employee engagement</b>	In the Daigas Group Corporate Principles, the Group declares its aim to create "value for society," "value for shareholders," and "value for employees," as well as "value for customers," its top priority. We believe that developing human and intellectual capital is a source of value creation. Based on the belief that developing human and intellectual capital is a source of value creation, the Group considers it important to implement better measures to promote a workplace culture where employees can take on challenging work.
<b>Development of employee skills</b>	In the Daigas Group Corporate Principles, the Group declares its aim to create "value for society," "value for shareholders," and "value for employees," as well as "value for customers," its top priority. We believe that developing human and intellectual capital is a source of value creation. The Daigas Group's Long-Term Management Vision 2030 lists the promotion of work style reform and development of human resources as important goals to be attained by that year. We consider it vital to develop personnel who are capable of working actively in a rapidly changing business environment, and to that end we offer a range of training and educational programs aimed at developing individual capabilities.
<b>Diversity and Inclusion</b>	In order to expand into new fields of business, it is vital to build a corporate infrastructure that promotes diversity and allows everyone to participate. The Daigas Group recognizes the need for the Group to foster a corporate culture that encourages the free expression of opinions and a transformation into a corporate entity that promotes diversity in its ranks and corporate structure in a way that encourages employees to maximize their potential, irrespective of gender, age, physical ability, or nationality. This intention is spelled out in the Daigas Group Diversity Promotion Policy.