# Recognition of Risks and Opportunities and Materiality in Sustainability Management

In formulating the Medium-Term Management Plan 2026(FY2025-FY2027), the Daigas Group recognized changes in the business environment and new challenges, and reviewed materiality.

## Recognition of Risks and Opportunities

| Changes in the business environment and the associated issues that need to be addressed | Risks | Opportunities | Materiality |
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| ●Climate change<br>▶Acceleration of the decarbonization trend<br>▶Stronger position of natural gas as transition energy<br>▶$CO_2$ reduction<br>▶Energy system transition<br>▶Technological innovation<br>▶Response to the TNFD | • Impact on business plans stemming from international rules and regulations related to carbon neutrality<br>• Intensifying competition to secure suitable business sites | • Promotion of widespread use and advanced utilization of natural gas across the globe<br>• Development of e-methane, hydrogen, and other new energy sources<br>• Promotion of business that provides carbon neutral energy seamlessly by utilizing established equipment and infrastructures<br>• Development of carbon neutral technologies and services | Provide carbon neutral energy |
| ●Energy security<br>▶Preparation for heightened geopolitical risks<br>▶Safe and secure management and operation of energy production and supply facilities | • Difficulty in procuring fuels and materials<br>• Increase in spending on facility repair and countermeasures associated with natural disasters<br>• Supply disruption due to disasters and accidents | • Increased demand due to the development of disasterresistant infrastructures and products<br>• Maintenance of sustainable business foundations through know-how sharing and cooperation with local communities in taking measures against disasters | Enhance the resilience of customers and society |
| ●Diversification of values<br>▶Transition to a digital society<br>▶Creation of customer contact points through diverse methods | • Changes in customer mindset<br>• Delay in the advancement of digital transformation<br>• Obsolescence of existing business models<br>• Intensifying competition due to productivity improvement and new entrants to the market | • Improved operational efficiency and productivity due to the advancement of digital transformation<br>• Enhancement of business creation capabilities through operational reform and behavioral change<br>• Enhancement of organizational culture and structure to create new businesses and services | Co-create advanced, diverse solutions that meet customer values |
| ●Demographic changes<br>▶Multi-pillared and diversified business<br>▶Labor shortages and diversifying ways of work<br>▶Human resource development<br>▶Improved employee satisfaction and motivation | • Shortage of workers<br>• Increased measures to secure and develop the next generation | • Promotion of innovation by taking advantage of diverse human resources<br>• Maximization of output | Create an environment that enhances value for employees and the company |
| ●Growing interest in and calls for Sustainability management<br>▶Corporate governance<br>▶Thorough compliance<br>▶Human rights due diligence<br>▶Creation of a recycling-oriented society<br>▶Contribution to local communities<br>▶Supply chain management | • Tightening, revision, and abolition of laws and regulations<br>• Loss of trust from stakeholders<br>• Litigation, suspension of transactions, and other obstacles to business continuity<br>• Increased difficulty in fund procurement | • Enhancement of corporate governance<br>• Enhancement of compliance<br>• Stabilization of the Group's business revenue through the development of local communities | Maintain and improve the soundness and flexibility of management foundation |

## Why the Issue Is Material

| Materiality | Why the Issue Is Material |
|---|---|
| **Provide carbon neutral energy** | • The Group engages in the energy business, which uses natural gas as its main raw material and fuel, and recognizes risks and opportunities associated with climate change.<br>• Significant risks include the possibility that rising sea levels and natural disasters such as typhoons and torrential rains due to localized abnormal weather events, etc. may cause damage to our manufacturing and supply equipment. In addition, it is possible that our businesses may be affected by introduction of the carbon tax or significant increases in the tax rate in Japan, or an increased desire among our customers to switch to non-fossil fuels.<br>• Meanwhile, promotion of the development and spread of renewable energy and technologies for carbon neutrality, with the aim of providing carbon neutral energy, also represents a significant opportunity for the Group.<br>• While the Group's energy business contributes to local job creation, investments, skills development, and economic development, we consider it essential and are working to address social and environmental issues, including the loss of biodiversity; soil, water, and air pollution; respect for human rights; and occupational safety. |
| **Enhance the resilience of customers and society** | • Stable energy supply, which allows customers to maintain and continue their lifestyles and various businesses, is a responsibility with the highest priority in the Group's business and is regarded as the very basis of the business.<br>• Inadequate operations and facility troubles caused by heightened geopolitical risks and natural disasters may have a large impact on markets other than the Group's business, as well as on people's lifestyles.<br>• Updating facilities in a planned manner, constructing disaster-resistant infrastructure by continuing to develop pipeline networks, and promoting technological development are considered to enhance the sustainability of local communities. |
| **Co-create advanced, diverse solutions that meet customer values** | • For the sustainable growth of the Group's business, we consider it essential to co-create advanced, diverse solutions that meet diversifying customer values and can solve global social issues.<br>• In order to increase our market competitiveness, we consider it necessary to pursue added value with DX and invest in the creation of businesses in new domains.<br>• We also consider it important and therefore work to strengthen the organizational culture and structure that encourage employees to reengineer business processes and change behavior. |
| **Create an environment that enhances value for employees and the company** | • In a rapidly changing business environment where the working population is decreasing, the labor market is becoming more flexible, and people have diversifying ways of work, the Group is driving forward business portfolio management, envisioning a strategy to keep growing by diversifying its business.<br>• To achieve sustainable growth in the future as well, we recognize the need to further enhance initiatives for human capital. We consider it necessary to acquire and develop diverse talent with high levels of expertise; deploy talent strategically to align with job requirements, deploying employees to serve the purpose of business operations while achieving higher levels of employee satisfaction; create an environment where employees feel more rewarded and motivated. In addition, we consider it necessary to realize maximization of the overall output. |
| **Maintain and improve the soundness and flexibility of management foundation** | • Even in an environment where the future is increasingly uncertain and difficult to foresee, we recognize that continuing to meet the trust and expectations from the Group's stakeholders and steadily addressing key issues will lead to the development of supply chains and local communities as a whole.<br>• We consider that a sound and sustainable management foundation will be maintained and upgraded by not only ensuring legal compliance but also respecting human rights, including the safety, health, and employment and working environment of stakeholders involved in the Group's business, and working on the enhancement of the corporate governance system.<br>• To implement the Group's business strategy steadily, reengineer business processes, and further grow in fields other than energy, we consider it necessary to secure core DX staff who drive relevant initiatives. |