

# What Kind of Future Does the Daigas Group Envision?

The Daigas Group's aim is to further deepen its initiatives to date and become a leader in the practical application of carbon neutrality.

This section presents the strategies outlined in the Medium-Term Management Plan 2026 starting in FY2025.3.

## Future the Daigas Group Envisions

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# Review of Previous Medium-Term Management Plans

In consideration of the risk of falling gas sales volumes resulting from population decline, the full deregulation of energy markets, and other factors, the Daigas Group has strengthened its financial base and expanded its new businesses through investment for business growth. As a result, the International Energy Business and Life & Business Solutions (LBS) Business have grown steadily, which has enabled the Group to improve its cash flows and enhance the robustness of its business portfolio. In response to the major environmental change that is the acceleration of the trend toward carbon neutrality, in addition to working to contribute to society through the provision of carbon neutral energy, including renewable energy development contributions and the development of e-methane technologies, the Group will strive for sustainable business growth by acting swiftly and flexibly to secure profits through the development of and power generation with natural gas and its advanced use during the transition period.

## Medium-Term Management Plan 2016

(FY2015.3-FY2017.3)

Catalyze Our Dreams

The Group worked on its evolution into an “integrated energy business” in anticipation of the full deregulation of energy markets. To continue our growth as a group, we actively strived toward business expansion, with our central focus on areas with expectations of future growth, such as the electricity, international energy, and material solutions businesses in particular.

- Entered electricity supply business for residential and small business use
- Promoted stable energy supply and demand development by strengthening trunk pipelines such as the Himeji-Okayama Line and Mie-Shiga Line
- Developed and strengthened one-stop peripheral services (Sumikata Services, etc.) to respond to customers’ problems in their daily life other than gas and electricity
- Developed gas retail and energy services in Singapore and Thailand

## Medium-Term Management Plan 2020

(FY2018.3-FY2021.3)

Going Forward Beyond Borders

Viewing the dramatic changes in the business environment, such as full deregulation of energy markets, as an opportunity, we pursued initiatives designed to turn the Group into an innovative energy & service company that continues to be the first choice of customers beyond the current times. We strengthened our business portfolio through the expansion of profits of the International Energy Business and the steady growth of LBS Business through active investment for growth.

- Strengthened on-site functions through establishment of core energy business companies, etc.
- Expanded renewable energy business
- Expanded business in the United States, including shale gas development (acquisition of Sabine Oil & Gas Corporation), participation in several IPP businesses, and launch of operation at the Freeport LNG plant
- Expanded development and sales of high-value-added materials that contribute to the industry, the consumer life and the environment

## Medium-Term Management Plan 2023

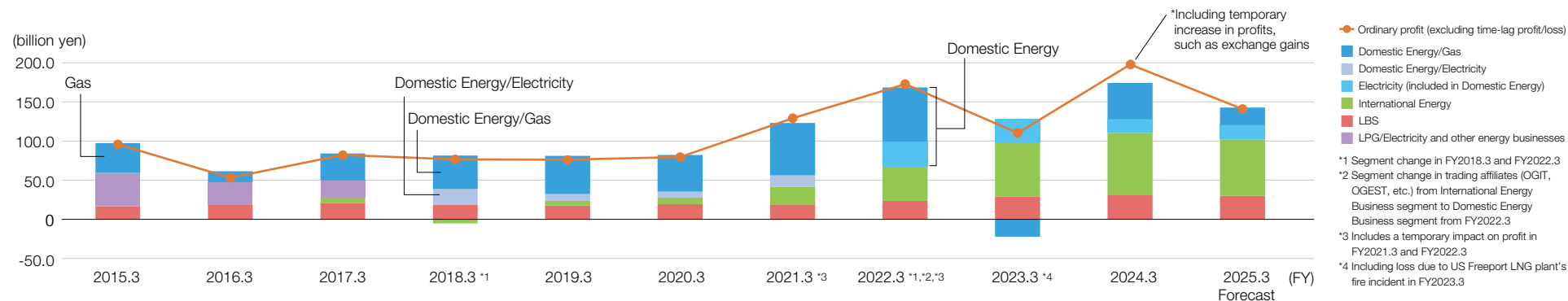
(FY2022.3-FY2024.3)

Creating Value for a Sustainable Future

With the goal of achieving a sustainable society, we promoted “co-creating value for a sustainable future” and “evolving our corporate group,” our priority strategies declared as a corporate group that creates value that contributes to the solution of social issues. We also progressed our response to accelerating decarbonization and diversifying ways of work.

- Increased ROIC-focused business execution, such as capital-efficient asset replacement and investment
- Achieved 10 million customer accounts through expansion of retail power sales and development of marketing areas
- Achieved 2.5 GW renewable energy development contribution target
- Made progress in demonstration projects and technological development for practical application of e-methane
- Boosted profit contribution of the International Energy and LBS Businesses

## Ordinary profit and segment profit (Excluding temporary impact on domestic energy business (Time-lag effect of Gas Business and Electricity Business))



# Review of Medium-Term Management Plan 2023

Based on “Co-create Value for a Sustainable Future” and “Evolve Our Corporate Group” our priority strategies declared in the previous plan, Medium-Term Management Plan 2023, we made progress in various initiatives for the realization of a sustainable society and achieved our management indicator targets. In the coming years, we will expand the scopes of our business activities to respond to newly emerged changes, such as accelerating carbon neutral initiatives and diversifying ways of work.

<p>Co-create Value for a Sustainable Future</p>	<p><b>Achieving a low-carbon/carbon neutral society</b></p> <ul style="list-style-type: none"> <li>Promoting supply chain development in Japan and overseas for the practical application of e-methane</li> <li>Expanded renewable energy business and achieved FY2024.3 target of 2.5 GW renewable energy development contribution</li> </ul>	<p><b>Establishing lifestyles and businesses adjusted to the new normal</b></p> <ul style="list-style-type: none"> <li>Developed new services and achieved 10 million customer accounts ahead of schedule</li> <li>LBS Business expanded business fields as next core business area after energy</li> </ul>	<p><b>Enhancing the resilience of customers and society</b></p> <ul style="list-style-type: none"> <li>Conducted inspection of operations and maintenance work and made improvements to work systems</li> <li>Procured LNG in larger volumes to address risks of reduced procurement volumes and supply shortages</li> </ul>
	<p>Evolve Our Corporate Group</p>	<p><b>Enhancing business portfolio management</b></p> <ul style="list-style-type: none"> <li>Boosted profit contribution of the International Energy Business and expanded the gas and electricity business to a wider area</li> <li>Promoted autonomous growth of individual business units and achieved FY2024.3 target of ROIC 5%</li> </ul>	<p><b>Promoting business transformation with DX</b></p> <ul style="list-style-type: none"> <li>Strengthened DX promotion structure, including establishment of DX Strategy Dept. and launch of Daigas X initiatives</li> <li>Provided digital talent training to employees</li> </ul>

Management indicator targets of Medium-Term Management Plan 2023		FY2024.3 targets	FY2024.3 results	Change
Profitability indicators	ROIC <sup>1</sup> (ref.: ROE)	Approx. 5% (approx. 7.5%)	6.1% (7.6%) <sup>2</sup>	+1.1% (+0.1%)
Shareholder returns	Dividend payout ratio <sup>3</sup>	30% or higher	30.4% <sup>4</sup>	+0.4%
Financial soundness indicators	D/E ratio <sup>5</sup>	Approx. 0.7	0.51	-0.19
	Shareholders' equity ratio <sup>5</sup>	Approx. 50%	55.9%	+5.9%

\*1 ROIC = (Ordinary profit - Interest expenses/income - Income taxes) ÷ (Interest-bearing debts + Shareholders' equity)  
Interest-bearing debts exclude risk-free leased liabilities to us.  
One-time impacts on Domestic Energy Business excluded.  
\*2 FY2024.3 results including time-lag impact are ROIC 7.0% and ROE 8.9%.  
\*3 Impact from short-term profit fluctuation factors excluded.  
\*4 FY2024.3 result including time-lag impact is 25.7%.  
\*5 Calculated with 50% of issued hybrid bonds as equity.

## Response to social changes and business issues that have emerged since the announcement of the previous medium-term management plan

<p><b>Decline in labor force, accelerating diversification in ways of work</b></p> <ul style="list-style-type: none"> <li>Acquisition and development of human resources from a medium- to long-term perspective</li> <li>Promoting DE&amp;I</li> </ul>	<p><b>Growing calls for resolving social issues</b></p> <ul style="list-style-type: none"> <li>Leadership in working towards carbon neutrality</li> <li>Continuation of a stable energy supply</li> </ul>	<p><b>Increased uncertainty, necessity of continuous evolution</b></p> <ul style="list-style-type: none"> <li>Evolution and enhanced resilience of business portfolio</li> <li>Governance enhancement</li> <li>Promotion of DX</li> </ul>
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## Daigas Group's Aspiration for the Future

# Secure Peace of Mind Today, Build Sustainable Lifestyles for Tomorrow

In 1897, around the middle of the Meiji era in Japan, Osaka Gas was established to promote the wide use of gas lamps, a safer and more economical alternative to oil lamps. Around those times, the safety of oil lamps was a significant concern as they often became a cause of fire in urban areas.

Since the inception of the company, we have never been in a position that guarantees the survival of our business. Faced with the rapid change of the times and society, we have identified the path we should pursue through the engagement with customers and society. We also have taken on new challenges with an enterprising spirit.

Today, society has reached a crucial turning point.

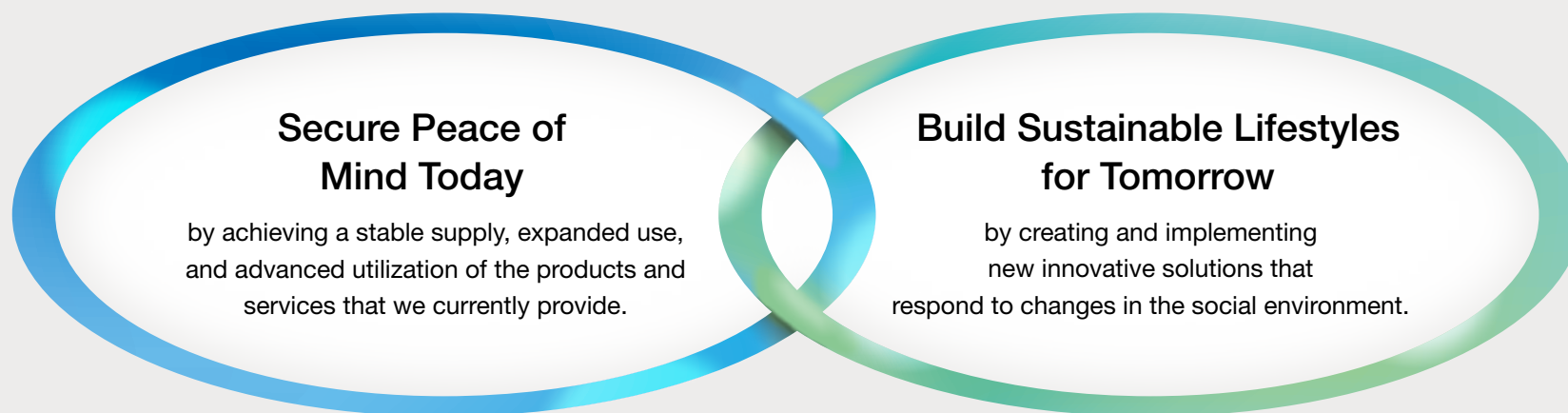
Growing instability in the energy market and intensifying natural disasters are unsettling people's peace of mind and increasing the uncertainty of our future. Against this backdrop, there is a pressing need to develop sustainable lifestyles for tomorrow when decarbonization and

digitalization are advanced.

The Daigas Group strives to achieve a stable supply and the wide use of energy, products, and services that respond to recent social changes. We aim to lead the creation and establishment of solutions to decarbonization, digitalization, and diversified values, aiming for our future business growth.

Although the paths to fulfilling these goals may be diverse and uncertain, there is one thing we know for sure: We are the ones who will shape the future.

While creating a work environment that supports our members to shine in their roles, we will continue taking on new challenges to "secure peace of mind today, build sustainable lifestyles for tomorrow" with a sense of mission and pride to be a corporate group that stakeholders can strongly identify with.



### Growth drivers during the transition period

Advanced utilization of natural gas

Shale gas development in the United States (Sabin Oil & Gas)

Highly efficient natural gas power generation

Steady profit growth in LBS Business

### Next-generation businesses for a carbon neutral society

Challenge toward the practical application of e-methane

Widespread use and expansion of renewable energy

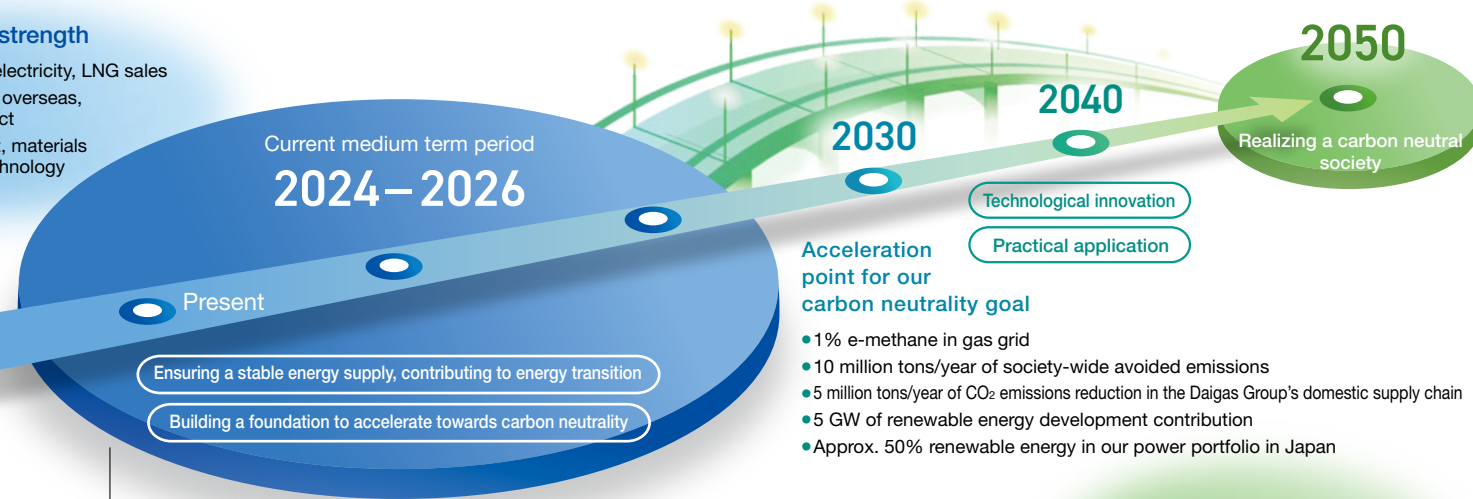
## Medium-Term Management Plan 2026

# Connecting Ambitious Dreams

The year 2030 will be a turning point for the Daigas Group to accelerate its initiatives to achieve carbon neutrality by 2050. The period from FY2025.3 to FY2027.3 will be focused on embodying our aspiration and building bridges to our future, which we refer to as “Connecting Ambitious Dreams,” by building a foundation to accelerate our carbon neutral initiatives to meet our 2030 targets while contributing to the energy transition and fulfilling our responsibility of a stable energy supply.

### Areas of strength

- Domestic gas and electricity, LNG sales
- Upstream business overseas, Freeport LNG Project
- Urban development, materials and information technology



### Financial targets

- ROIC: approx. 5.0%
- ROE: approx. 8.0%
- Dividend on equity: 3.0%

### Major non-financial targets

- Society-wide avoided emissions: 7 million tons/year
- Customer accounts: 10.9 million
- Development of DX core staff: 300 employees
- Female directors: 25% or higher

### Future growth fields

- e-methane
- Mid- and downstream business in Asia
- Renewable energy

### Key Strategy: the Three Commitments Details on [P.31](#)



Since the announcement of the previous Medium-Term Management Plan, we have been facing new changes in the business environment. There has been a growing need to resolve social issues due to the global-scale acceleration of carbon neutral initiatives and increased risks of energy security. At the same time, people's mindsets on how they want to work have been diversified. In the Medium-Term Management Plan 2026, we will work on the Three Commitments. First is to co-create value for a sustainable future\* that contributes to resolving social issues. Second is to support employees to shine in their roles. Third is to evolve the business foundation.

\* Value creation to resolve social issues, such as achieving carbon neutrality, meeting diversified needs, and enhancing the resilience of customers and society, as aimed to achieve under the previous Medium-Term Management Plan.

# Financial Strategy

As an energy business operator that provides social infrastructure, the Daigas Group will maintain a sound financial base that can withstand future changes in the management environment and emergencies, while improving cash flow, profitability, and efficiency through investments for growth and aiming for the realization of sustainable growth and the medium- to long-term enhancement of corporate value. We will also pursue dialogue and value co-creation with our stakeholders, including shareholders and investors, and meet their expectations in a balanced manner.

## Framework of Financial Strategy

### 1 Maintain a sound financial base

- Construction of sound financial basis underpinned by a high level of financial discipline
- Risk management in preparation for emergencies

### 2 Realize sustainable growth and the medium- to long-term enhancement of corporate value

- Improvement of earning capacity and construction of a robust business portfolio through ROIC-oriented management
- Identification of competitive businesses and assets and maximization of their value
- Economical and stable financing to support those businesses and assets

### 3 Meet stakeholders' expectations in a balanced manner

- Appropriate responses to customers, business partners, investors, employees, etc.
- Further enhancement of trust in and expectations of the Group's business through fuller disclosures and dialogue
- Pursuit of optimal capital structure

## Financial Targets

Ordinary profit	Approx. 200 billion yen (2030)	
ROIC	Approx. 6%	(early 2030s)
ROE	Approx. 10%	

## Medium-Term Management Plan 2026

### Financial KPIs

ROIC	Approx. 5%
ROE	Approx. 8%
Shareholders' equity ratio	45% or higher
D/E ratio	0.8 or lower

### Investment for growth

Total investment for growth over 3 years (of which, investment in carbon neutral initiatives)	560 billion yen (100 billion yen)
Domestic Energy	185 billion yen
International Energy	225 billion yen
LBS	150 billion yen

### Shareholder returns

Progressive dividends

Dividend on equity (DOE\*) : 3.0%

Executing additional shareholder return policy flexibly

\*In our DOE calculation, accumulated other comprehensive income is excluded from shareholders' equity as the denominator to eliminate the effect growing exchange rate fluctuations.



# Sustainability Management

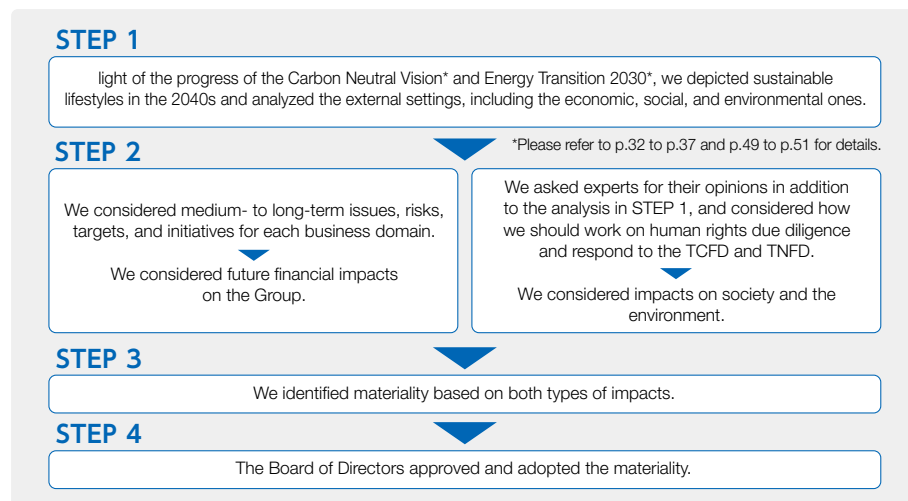
## Sustainability Promotion System and Governance

The Daigas Group has an ESG Committee, chaired by the Head of ESG Promotion (Representative Director and Executive Vice-President), who supervises the Group's sustainability activities. This committee, whose members include the heads of related organizations, coordinates and promotes sustainability activities in a cross-organizational manner. The setting of key issues (materiality), indicators and targets for ESG management, the status of achievement, and other matters are submitted to and deliberated at the ESG Council. The Board of Directors is then consulted on important matters related to sustainability activities and is responsible for decision-making and supervision.

The Group has also established the Environment Subcommittee, Social Contribution Subcommittee, and Compliance/Risk Management Subcommittee, and works closely with the subcommittees in promoting sustainability activities.

## Identification of Materiality

In formulating the Medium-Term Management Plan 2026, the Daigas Group identified materiality in light of experts' opinions and other factors, taking into account the progress of climate change countermeasures, changes in the business environment, and social trends related to sustainability.



## Identified Materiality

- 1 Provide carbon neutral energy
- 2 Enhance the resilience of customers and society
- 3 Co-create advanced, diverse solutions that meet customer values
- 4 Create a work environment where employees and the company resonate and enhance each other
- 5 Maintain and improve the soundness and flexibility of management foundation

## Sustainability Promotion System (As of April 1, 2024)



## Comments from an Expert

### Identification of Materiality at the Daigas Group

While the process for identifying materiality has not changed significantly from FY2021.3, when the previous Medium-Term Management Plan was formulated, relevance to corporate strategies is clearer this time. This can be attributable to the fact that materiality was identified with consideration given to medium- to long-term targets, including the Carbon Neutral Vision announced in January 2021 to achieve carbon neutrality by 2050. As with the last time, the Daigas Group adopted the idea of so-called double materiality, where both financial impacts and social and environmental impacts are taken into account. This approach can be considered appropriate as the Group engages in infrastructure-related businesses that have considerable social and environmental impacts.



**Hidemi Tomita**  
CEO,  
Institute for Sustainability  
Management

The identified materiality has a limited number of elements, indicates overall directions, and is clearly aligned with "Key Strategy: the Three Commitments" in the Medium-Term Management Plan 2026. When it comes to KPIs that are linked with materiality, financial indicators are increasingly integrated with sustainability indicators with an eye on 2026, the target fiscal year of the Medium-Term Management Plan. Meanwhile, part of the targets are qualitative. Going forward, I expect the Group to improve accountability for such targets and fine-tune them.

# Recognition of Risks and Opportunities and Materiality in Sustainability Management

In formulating the Medium-Term Management Plan 2026(FY2025.3-FY2027.3), 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
<b>Climate change</b> <ul style="list-style-type: none"> <li>▶ Acceleration of the decarbonization trend</li> <li>▶ Stronger position of natural gas as transition energy</li> <li>▶ CO<sub>2</sub> reduction</li> <li>▶ Energy system transition</li> <li>▶ Technological innovation</li> <li>▶ Response to the TNFD</li> </ul>	<ul style="list-style-type: none"> <li>• Impact on business plans stemming from international rules and regulations related to carbon neutrality</li> <li>• Intensifying competition to secure suitable business sites</li> </ul>	<ul style="list-style-type: none"> <li>• Promotion of widespread use and advanced utilization of natural gas across the globe</li> <li>• Development of e-methane, hydrogen, and other new energy sources</li> <li>• Promotion of business that provides carbon neutral energy seamlessly by utilizing established equipment and infrastructures</li> <li>• Development of carbon neutral technologies and services</li> </ul>	<p><b>Provide carbon neutral energy</b></p>
<b>Energy security</b> <ul style="list-style-type: none"> <li>▶ Preparation for heightened geopolitical risks</li> <li>▶ Safe and secure management and operation of energy production and supply facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Difficulty in procuring fuels and materials</li> <li>• Increase in spending on facility repair and countermeasures associated with natural disasters</li> <li>• Supply disruption due to disasters and accidents</li> </ul>	<ul style="list-style-type: none"> <li>• Increased demand due to the development of disaster-resistant infrastructures and products</li> <li>• Maintenance of sustainable business foundations through know-how sharing and cooperation with local communities in taking measures against disasters</li> </ul>	<p><b>Enhance the resilience of customers and society</b></p>
<b>Diversification of values</b> <ul style="list-style-type: none"> <li>▶ Transition to a digital society</li> <li>▶ Creation of customer contact points through diverse methods</li> </ul>	<ul style="list-style-type: none"> <li>• Changes in customer mindset</li> <li>• Delay in the advancement of digital transformation</li> <li>• Obsolescence of existing business models</li> <li>• Intensifying competition due to productivity improvement and new entrants to the market</li> </ul>	<ul style="list-style-type: none"> <li>• Improved operational efficiency and productivity due to the advancement of digital transformation</li> <li>• Enhancement of business creation capabilities through operational reform and behavioral change</li> <li>• Enhancement of organizational culture and structure to create new businesses and services</li> </ul>	<p><b>Co-create advanced, diverse solutions that meet customer values</b></p>
<b>Demographic changes</b> <ul style="list-style-type: none"> <li>▶ Multi-pillared and diversified business</li> <li>▶ Labor shortages and diversifying ways of work</li> <li>▶ Human resource development</li> <li>▶ Improved employee satisfaction and motivation</li> </ul>	<ul style="list-style-type: none"> <li>• Shortage of workers</li> <li>• Increased measures to secure and develop the next generation</li> </ul>	<ul style="list-style-type: none"> <li>• Promotion of innovation by taking advantage of diverse human resources</li> <li>• Maximization of output</li> </ul>	<p><b>Create a work environment where employees and the company resonate and enhance each other</b></p>
<b>Growing interest in and calls for ESG management</b> <ul style="list-style-type: none"> <li>▶ Corporate governance</li> <li>▶ Thorough compliance</li> <li>▶ Human rights due diligence</li> <li>▶ Creation of a recycling-oriented society</li> <li>▶ Contribution to local communities</li> <li>▶ Supply chain management</li> </ul>	<ul style="list-style-type: none"> <li>• Tightening, revision, and abolition of laws and regulations</li> <li>• Loss of trust from stakeholders</li> <li>• Litigation, suspension of transactions, and other obstacles to business continuity</li> <li>• Increased difficulty in fund procurement</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancement of corporate governance</li> <li>• Enhancement of compliance</li> <li>• Stabilization of the Group's business revenue through the development of local communities</li> </ul>	<p><b>Maintain and improve the soundness and flexibility of management foundation</b></p>



# Materiality Indicators and Targets

We have developed indicators for materiality that are more strongly associated with management approaches. We will thus drive the co-creation of value for a sustainable future, strengthening of human capital, and evolution of the business foundation.

Key issues (materiality)	ESG indicators	FY2027.3 targets	FY2031.3 targets	Contribution to SDGs
Provide carbon neutral energy	Avoided emissions*1	7 million tons/year	10 million tons/year	
	Renewable energy development contribution	4 GW	5 GW	
	Percentage of renewables in our power generation portfolio in Japan	Approx. 30%	Approx. 50%	
	CO <sub>2</sub> emissions of Daigas Group	—	-5 million tons in Japan (compared to FY2018.3)	
	CO <sub>2</sub> emissions reduction in the Group company offices and vehicles	67%	100%	
	Promotion of e-methane practical application	Final investment decisions in e-methane supply chain PJ	1% e-methane in gas grid	
	Promotion of methanation technology development	Transition to the second phase of SOEC GI funds business	Establishing a pilot-scale (400 Nm <sup>3</sup> /h class) SOEC technology	
Enhance the resilience of customers and society	Number of serious accidents and serious energy supply disruptions caused by the company	Zero	Zero	
	Establishment of resilient facilities	Implementation of measures for disaster prevention and aging pipes		
Co-create advanced, diverse solutions that meet customer values	Customer accounts	10.9 million accounts	11.5 million accounts	
	Customer satisfaction rate	90%	—	
	Creation of innovation	Creation of new business and services		
Create a work environment where employees and the company resonate and enhance each other	Percentage of women in members newly promoted to middle management positions	20% or higher	30% or higher	
	Percentage of women in new recruits for career-track positions	30% or higher	30% or higher	
	Work engagement score*2	50 or more	50 or more	
	Total number of new graduates and mid-career hires	Cumulative total of 3 years: 330 people		
	Reserve ratio of next-generation management personnel	250%	—	
Maintain and improve the soundness and flexibility of management foundation	Ratio of female directors	25% or higher	30% or higher	
	Number of serious violations of laws and regulations	Zero	Zero	
	Recruitment of DX core staff	300 employees	—	
	Respect for human rights	Implementation of human rights initiatives within the Daigas Group and throughout the supply chain		
	Contribution to local communities	Engagement with local communities		
	Sustainable growth of LBS Business	Implementation of unique ESG initiatives in LBS Business		

\*1 Calculate the estimated effect of CO<sub>2</sub> emissions reduction in one year of the target FY by introducing high efficiency facilities and low carbon energy, etc. to customer side and the company's business activities in and after FY2018.3.

\*2 Deviation in work engagement results for companies using the Advantage Toughness Survey.

# Our Financial Strategy

## We pursue asset-light management, aiming to achieve the Medium-Term Management Plan 2026 targets.

Representative Director and Executive Vice President

Ko Sakanashi



### Meeting the management indicator targets of Medium-Term Management Plan 2023

In FY2024.3, the final year of the Medium-Term Management Plan 2023, our investments in the International Energy segment led to significant profit growth.

In addition, the Domestic Energy and Life & Business Solutions (LBS) segments achieved steady growth, and market conditions generated positive outcomes, such as foreign exchange gains from the weakened yen. As a result, our FY2024.3 ordinary profit reached 198.0 billion yen, excluding time-lag profit (or 226.5 billion yen, including time-lag profit), far exceeding the forecast of 120.0 billion yen. This enabled us to

meet the management indicator targets for profitability and financial soundness set out in the Medium-Term Management Plan 2023.

Throughout the three years of the previous Medium-Term Management Plan period, we faced an extremely harsh business environment due to the COVID-19 pandemic, Russia's invasion of Ukraine, other rising geopolitical risks, growing instability in the energy supply-demand balance, soaring energy prices, and losses from Freeport LNG's plant shutdown, among other things. Despite these challenges, we made progress in portfolio-focused management and business foundation enhancement.

(See Page 19 for a review of the major indicators and Page 18 for trends in ordinary profit and segment profit.)

### Management indicator targets of Medium-Term Management Plan 2026 and initiatives aimed at achieving them

#### Financial targets (FY2027.3)

<b>ROIC</b> approx. <b>5%</b>	<b>ROE</b> approx. <b>8%</b>	Shareholders' equity ratio <b>45% or higher*</b> D/E ratio <b>0.8 or lower*</b>
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\* Calculated with 50% of issued hybrid bonds as equity

ROIC: Approx. 5% in Medium-Term Management Plan 2023 → Approx. 5% in FY2027.3 and approx. 6% early in 2030s

We will continue striving to achieve ROIC targets as a capital efficiency indicator by focusing on profit growth and capital efficiency enhancement in our business management.



In the Medium-Term Management Plan 2026, we have revised and updated our targets for the early 2030s as critical benchmarks for the steady progress of our investments in the carbon neutrality (CN) space. Our CN projects include renewables and the e-methane value chain, which form the essential foundations for our future growth in alignment with the transition to a CN society.

ROE: 7.5% ref. target in Medium-Term Management Plan 2023 → Approx. 8% in FY2027.3 and approx. 10% early in 2030s

ROE has been upgraded from a reference target in the previous medium-term plan to a key management indicator on the same level as ROIC. We will work to improve ROE from the dual aspects of increasing profit and controlling shareholders' equity.

Shareholders' equity ratio: Approx. 50% in Medium-Term Management Plan 2023 → 45% or higher in FY2027.3  
D/E ratio: Approx. 0.7 in Medium-Term Management Plan 2023→0.8 or lower in FY2027.3

Our targets for shareholders' equity ratio and D/E ratio have also been updated through the comprehensive



consideration of factors, such as the shareholders' equity needed against risks and the impact of risks on our credit rating. This update was prompted by the increased operating cash flow due to steady growth in the International Energy and LBS segments, as well as the improved stability of the management foundations resulting from the enhanced robustness of our business portfolio.

Effective July 2024, the indicator used to determine performance-linked remuneration for executives responsible for business execution was changed from profit attributable to owners of the parent to ROE and others. This change is intended to provide additional motivation for them to reach the Medium-Term Management Plan 2026 targets.

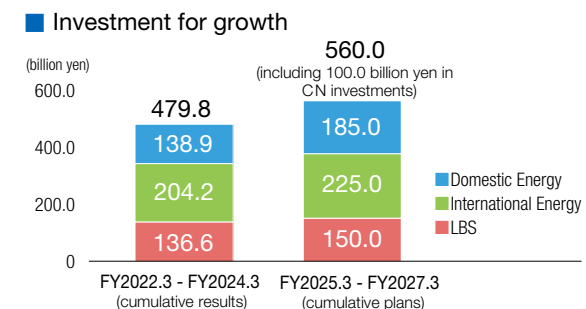
### Asset-light management throughout the Group

Since FY2022.3, the Daigas Group has pursued ROIC-focused management, improving earning capacity and constructing a robust business portfolio. We also strive to evolve the business foundation, which is one of the Three Commitments of our Key Strategy in the Medium-Term Management Plan 2026. Our aim is to enhance corporate value without compromising capital efficiency while investing in the CN field and other future growth drivers. Furthermore, we intend to improve capital efficiency through asset-light management, which is to identify value-generating assets in our portfolio and maximize their value.

The aim of asset-light management is to pursue securing value-generating assets as the sources of competitive edge and added value for our business, which are prioritized over non-value-generating ones. An example of our asset-light management is renewable energy projects, where we aim to maximize our off-take instead of pursuing ownership. We promote the implementation of asset-light management in each business to take maximum advantage of the asset value and enhance asset efficiency.

### Balanced investment in immediate growth drivers and future business foundations

To achieve sustainable growth, we pursue balanced investment in two types of business fields. The first is the primary growth field, where we aim to expand profitability during the immediate transition period. The second is the CN field, where we lay the groundwork for future business development. Our total planned investment in these two areas amounts to 560.0 billion yen. Approximately 460.0 billion yen is earmarked for the primary growth field (FY2025.3-FY2027.3), including the construction of the Himeji Natural Gas Power Plant, other power business development, acceleration of shale gas production in the United States, and business expansion in the LBS segment. Approximately 100.0 billion yen is allocated to the CN field, including renewable energy development in Japan and e-methane introduction to the Japanese market.

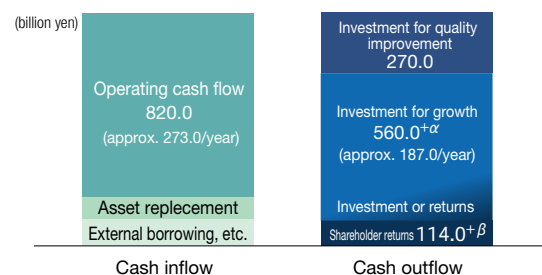


- FY2025.3 - FY2027.3**
- Investment in immediate earnings drivers in the primary growth field  
Approx. **460** billion yen for thermal power plants, shale gas development, LBS, etc.
  - Investment in future business foundation in the CN field  
Approx. **100** billion yen for domestic renewable energy, e-methane, etc.



In the Medium-Term Management Plan 2026, our focus is on increasing cash flow through asset replacement, which is aimed at ROIC improvement, while achieving a cumulative operating cash flow of 820.0 billion yen. As for cash outflow, we plan to earmark 270.0 billion yen for quality improvement, 560.0 billion yen for business growth, and 114.0 billion yen for shareholder returns. If operating cash flow increases as planned, we will allocate it as funds for either additional investment for growth, aiming to reach the Medium-Term Management Plan targets, or for shareholder returns.

■ Cash allocation (FY2025.3 - FY2027.3 cumulative plans)

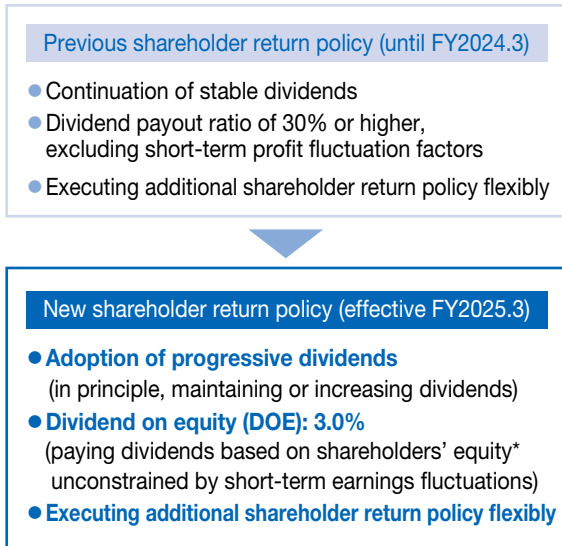


## Progressive dividends to enhance shareholder returns

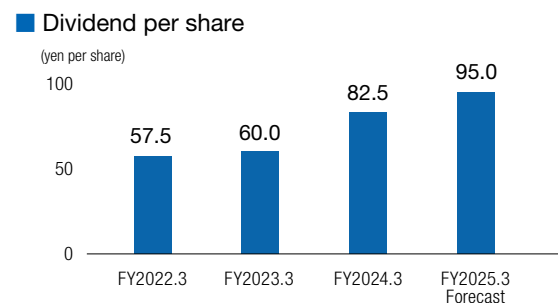
To meet our shareholders' expectations, we have adopted a progressive dividend policy, which reflects our embraced approach of increasing or maintaining dividends without reducing them, in line with our improved financial position.

In addition, we have changed the dividend determination indicator from the dividend payout ratio, which is based on single-year profits, to the dividend on equity (DOE), which is based on shareholders' equity,\* value that is not subject to short-term profit fluctuations. Our goal is to enhance dividend levels and achieve a DOE of 3.0% while improving dividend predictability and ensuring steady dividend increases over the long

term, even amid intense business environment changes and large short-term fluctuations in profit.



\*Excluding accumulated other comprehensive income



## Risk management for Daigas Group investment

We will maintain our current investment risk management approach and manage risks appropriately by ensuring the following four points.

The first is consistency with the business strategies outlined in the Medium-Term Management Plan.

Besides evaluating project profitability, we will assess the potential for synergies with the Group's other businesses and enhancement of business execution capabilities.

The second is inherent risk evaluation. We will make investment decisions through strict evaluations and deliberations of target projects at the Investment Evaluation Committee based on our group-wide investment standards. This process will consider the evaluation results from the Investment Risk Management Office, our internal financial and legal teams, and external consultants as needed.

The third is a good balance with financial soundness. We will balance risk and return across the entire Group while quantitatively assessing potential losses based on estimated risks. This will enable us to sustainably pursue investments for business growth while maintaining an appropriate level of financial soundness in the face of potential risks.

The fourth is post-investment follow-ups. We will conduct annual evaluations of our invested assets to assess their status in meeting respective original purposes, adapting to the changing business environment, and addressing issues regarding progress and profitability. Based on the outcomes, we will consider implementing profitability improvement measures, divesting the assets, or withdrawing from the projects.

## Active use of transition finance

Since FY2023.3, the Daigas Group has secured funds through transition finance for initiatives that align with the company's long-term transition strategies to reduce greenhouse gas emissions.

Our funding activities have proven successful partly due to our engagement with corporate bond investors and financial institutions to deepen their understanding of our CN strategy outlined in the Energy Transition 2030 announced in March 2023.



Consequently, our transition loans and transition-linked bonds became the first case for a gas utility. Transition finance with loans, besides corporate bonds, will provide excellent opportunities to gain support from more financial institutions. We intend to continue actively using transition finance to secure funds for our CN business development.

\* Source: Osaka Gas' research based on publicly available information

## Dialogues with capital markets to enhance corporate value

Dialogues with investors regarding the optimal capital structure have provided valuable insights into the capital markets' perspectives and expectations for the Daigas Group. These insights have been instrumental in deliberating management strategies as I was involved in developing the Medium-Term Management Plan 2026 in my capacity as Head of the Corporate Strategy Department.

### Transition finance conducted

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, projects that contribute to fuel conversion at 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
1st Transition-linked bonds	June 2024	25.0 billion yen	None

Our recent investor relations activities have served as great opportunities to discuss the Medium-Term Management Plan 2026. The subjects include initiatives aimed at meeting our financial targets, such as ROIC and ROE, and challenges related to profit growth drivers and ESG issues, such as climate change, human capital, and governance. We will continue engaging in constructive dialogues with the capital markets as we strive to enhance our corporate value through financial and non-financial measures, aiming to maintain long-term support from investors, shareholders, and all the other stakeholders.

