

# Implementing ROIC-Focused Management



To improve the earning capacity of each business and establish a robust business portfolio, we have been pursuing ROIC-focused management since FY2022.3. This has produced results. Under the Medium-Term Management Plan 2026, we aim to increase capital efficiency and improve corporate value, while investing in the carbon neutrality field and taking other measures to develop businesses for the future. To this end, we will take an asset-light approach to management, identifying sources for the generation of value in each area and maximizing the value of the assets we hold.

## Initiatives through FY2024.3

We introduced ROIC as a management indicator in the Medium-Term Management Plan 2023. Business units and corporate headquarter divisions worked together to improve ROIC while paying attention to capital costs (WACC). Each business unit rolled out initiatives autonomously and speedily, such as selling assets that have completed their purpose and taking other measures for asset replacement, implementing initiatives to raise NOPAT<sup>\*1</sup>, and improving asset efficiency by securitizing Group-owned real estate, etc. The headquarters divisions worked to deepen ROIC-focused management by reviewing medium-term business plans and resource allocation.

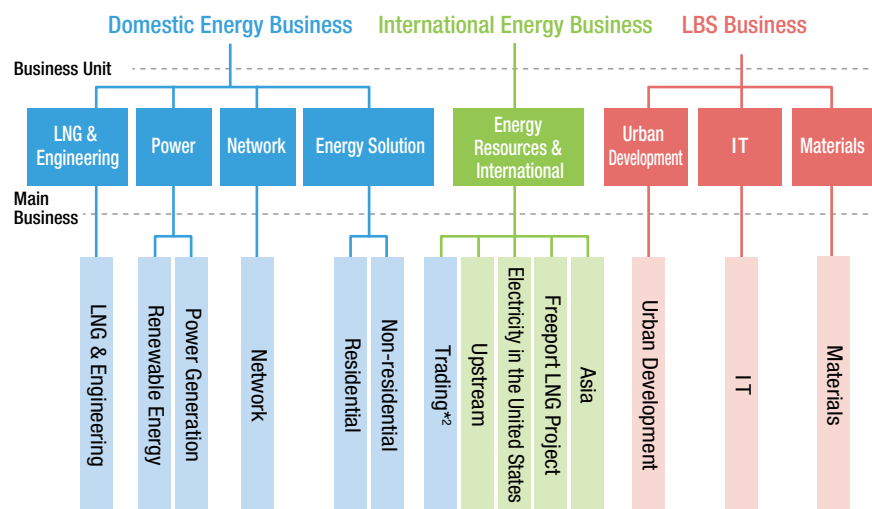
<sup>\*1</sup> NOPAT=Ordinary profit + Interest expenses - Interest income - Income taxes

### Challenges

In light of changes in the business environment, such as the accelerating carbon neutral trend and soaring energy prices, we need to increase capital efficiency and improve corporate value, while making investments in renewable energy and e-methane to prepare for a carbon-neutral future.

Necessary measures to achieve this include expanding profits by increasing the value of existing businesses and assets, taking advantage of our strengths developed in existing businesses and working on new businesses that enable value increase, and selling or moving off-balance sheet businesses and assets of lower capital efficiency.

## Business Units and Main Businesses



\*2 Trading business is included in the Domestic Energy Business segment.

## Initiatives Implemented under the Medium-Term Management Plan

### Main Initiatives and FY2027.3 Targets by Segment

	Main initiatives	FY2027.3 plan
Domestic Energy Business	<ul style="list-style-type: none"> <li>Expansion of service areas and improvement of asset efficiency in the marketer business</li> <li>Gas business development outside the Kansai region and improvement of productivity</li> <li>Feedstock cost reduction and LNG sales profit increase through the optimization of LNG trading</li> <li>Electricity value chain enhancement and expansion</li> <li>Investment efficiency improvement for renewable energy business (e.g., moving assets off-balance sheet, evolving finance schemes)</li> <li>Appropriate sale of investment securities by re-examining the significance of each stock holding</li> </ul>	4.0%
	<ul style="list-style-type: none"> <li>Production expansion of shale gas as a key transition fuel</li> <li>Promote replacement of assets (e.g., electricity business in the United States)</li> </ul>	
LBS Business	<ul style="list-style-type: none"> <li>Growth in property development, IT, and materials by leveraging our strengths in each field</li> <li>Asset efficiency enhancement initiatives, such as private REIT business</li> </ul>	5.5%

**Aim for approximately ROIC 5% in FY2027.3 as the entire Group**

# Enhancement of the Governance System and Change in Organizational System



We established a new Risk Management Committee to comprehensively manage the risks of the Daigas Group's expanding business domains. In addition, we changed our organization to a company with an Audit and Supervisory Committee, separating execution and supervision, and strengthening supervisory functions to improve the speed and soundness of management.

Furthermore, through organizational restructuring, we will work to further strengthen our electricity business and new business creation functions.

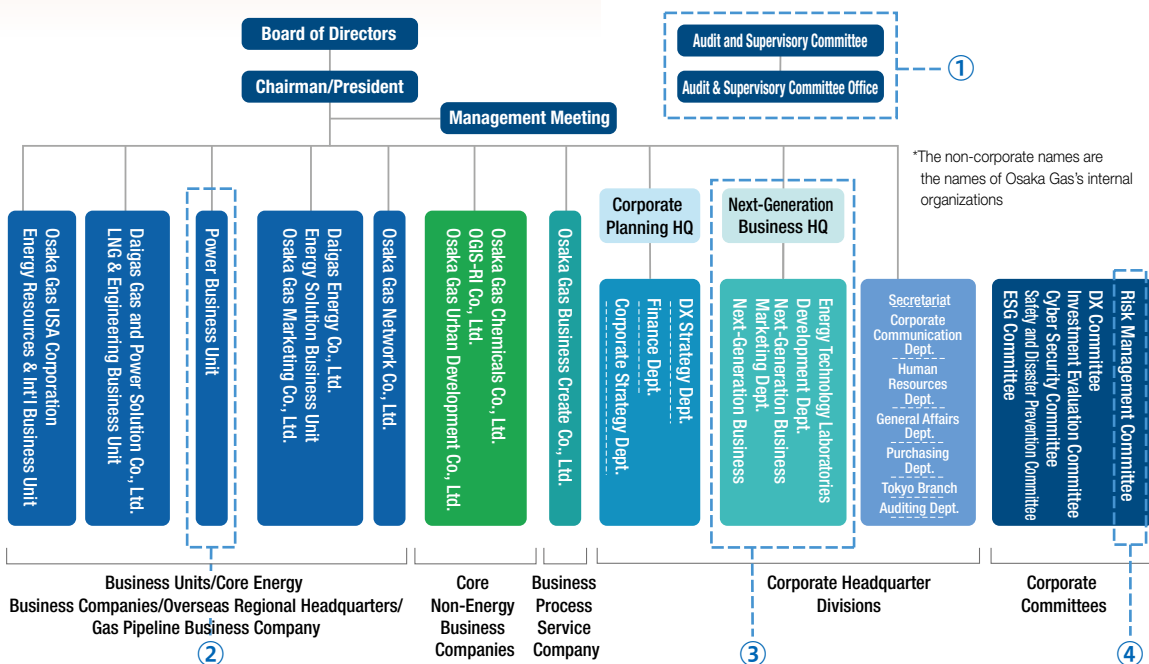
## Initiatives through FY2024.3

With the aim of achieving sustainable growth and increasing corporate value over the medium and long term, we conducted fair and prompt decision-making and efficient and proper execution of business. Specifically, we worked to enhance the diversity of the Board of Directors, taking into account knowledge, experience and gender, including the increase of the percentage of Outside Directors. In addition, we have worked to enhance the governance system through establishment of stock-based remuneration system, introduction of remuneration system linked to ESG indicators achievement, establishment of the Advisory Committee on management, and appointment of Outside Director as chairperson of the Advisory Committee.

### Issues

Amid further changes in the business environment such as the acceleration of the trend toward carbon-neutrality and heightened geopolitical risks, we need a management system that grasps social issues from diverse perspectives, appropriately manages risks, and collaborates with stakeholders to promptly create value.

## Initiatives implemented under the Medium-Term Management Plan



- Transition to a company with an Audit and Supervisory Committee**  
Our organization changed from a company with an Audit & Supervisory Board to a company with an Audit and Supervisory Committee to enhance discussions on management policies and strategies by the Board of Directors and other bodies, further strengthen supervisory functions, and make flexible decisions.  
Please see □□P.64 for details of transition to a company with an Audit and Supervisory Committee.
- Transforming the electricity business into a business unit**  
For the purpose of responding quickly and flexibly to changes in the environment, we established the Power Business Unit by spinning off the electricity business, which had been operated under the LNG, Power & Engineering Business Unit, to realize more highly specialized management.  
Please see □□P.13, P.37 for details of electricity business.
- Consolidating new business creation functions**  
We have consolidated functions responsible for the search for new businesses through acquisitions, etc., mainly in the peripheral energy fields, and for the search and commercialization of new businesses in other domains through technological development and collaboration with venture companies as the Next-Generation Business HQ, including research institute.  
Please see □□P.41 for details of the new business creation.
- Establishing the Risk Management Committee**  
The Risk Management Committee was newly established as a corporate committee to comprehensively manage the risks of the Daigas Group's expanding business domains.  
Please see □□P.72 for details of risk management.

# Advancing Business Transformation Through DX

## Recognition of External Environment

In the times when everything is connected via digital technology and evolves rapidly, how we compete to offer services to customers is completely different from conventional approaches. Under such circumstances, our business operation needs to respond quickly and flexibly to changes. Accelerating both value provision through new service development and productivity increase through operational process reform will lead to enhanced competitiveness.

## Review of FY2024.3 and Future Strategy

In FY2024.3, we enhanced human resource development and other structures to promote DX, worked to transform customer experience in the residential segment, and worked on Daigas X (Daigas transformation), which enhances value for employees and the company by reforming how to execute work.

Under a robust structure, we will continue to promote new service development and operational process reform by creating mutual synergy, and evolve the Group's corporate activities.



## Daigas Group's DX Strategy

### [Main initiatives]

#### 1 New Service Development

We will offer various services with higher value by incorporating trends and the diverse needs of customers without delay. Services here do not only refer to the new businesses, but also encompass the enhancement of existing businesses that lead to an increase in the number of customer accounts, business opportunities, sales, etc.

To this end, utilizing valuable assets such as data becomes increasingly important. For example, we will make use of customer data and provide 1-to-1 communication that proposes optimal services at optimal timings for customers. In addition, we will accelerate the trial and error cycle and foster Group-wide customs and mindsets that enable the Group to move forward with new initiatives aggressively and quickly.

#### 2 Operational Process Reform

We will also focus on merging and abolishing operations as well as standardizing and aggregating different procedural operations among organizations to broadly redesign the entire operational process.

In addition, we will improve operational efficiency by incorporating SaaS<sup>\*2</sup>, generative AI, and other digital technologies into business operations. Simultaneously, we will reform ways of work and how to proceed with tasks through Daigas X. This will make room for deepening highly specialized operations and lead to better value provision to customers.

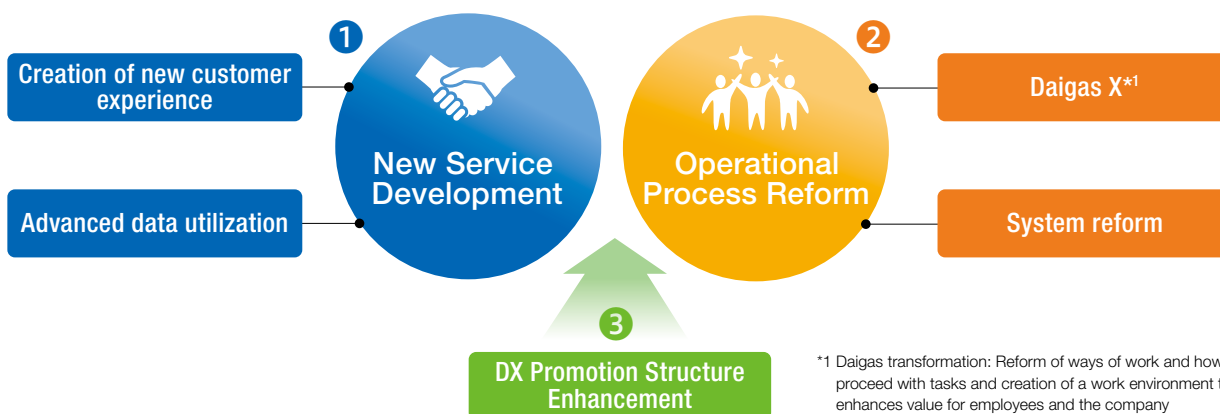
<sup>\*2</sup> SaaS: A service that allows users to use software via a network, such as the internet

#### 3 DX Promotion Structure Enhancement

We established group-wide systems and structures to promote DX, with stronger collaboration with OGIS-RI Co., Ltd. in charge of the IT solution business. In addition, The Group will accelerate DX by demonstrating its collective strength and strengthening its human resources and structures through the development of core personnel who will be responsible for promotion and business transformation.

### What We Aim To Be “A Corporate Group Capable of Keeping on Changing”

#### Daigas Group's DX Strategy



<sup>\*1</sup> Daigas transformation: Reform of ways of work and how to proceed with tasks and creation of a work environment that enhances value for employees and the company

Key Initiatives

The Daigas Group is driving forward initiatives in line with its DX strategy. In order to promote employee understanding, the progress, results, etc. of specific initiatives are communicated through the internal portal website.

### 1 New Service Development

#### Creation of new customer experience

To keep providing value to customers, we have started to transform our business activities toward what we aim to be in 2030. A project has been launched involving approximately 70 employees from residential business divisions\*1, which perform customer-facing activities; the DX Strategy Dept., which promotes DX; and OGIS-RI Co., Ltd. The project is restructuring our business operations and systems that support those operations, taking a customer-oriented approach. We are trying out new ways of working that incorporate Agile "Forms"\*2 in proceeding with tasks, which allows us to adapt quickly to changes in the circumstances.

We will continue with these initiatives, and define what we aim to be and promote transformation in businesses other than residential as well.

\*1 Please refer to P.40-P.41 for examples of FY2024.3 activities in services for residential customers

\*2 An agile approach is a method where minimally required output is generated during short cycles and improvements are made based on feedback

### 2 Operational Process Reform

#### Transforming employee experience through Daigas X (Daigas transformation)

Daigas X, in full-scale operation since FY2024.3, rolls out activities that aim to enable diverse human resources to take on challenges, keep learning, and grow, as well as to let us speedily explore and deepen our understanding of unprecedented changes. Discussions were also held in each organization on where they aim to be and what actions to take, in light of the situation of each organization and on the frontline. A total of 4,400 employees participated in the discussions. Information was shared on initiatives that are producing results, such as the utilization of IT tools to accumulate knowledge across organizational boundaries. From FY2025.3 onward, we will continue with the discussions in each organization, identify issues, and advance transformation.

#### System reform

In FY2024.3, we introduced SaaS in such operations as sales, accounting, and internal communications, promoting operational reforms.

We offered an environment where employees can try using generative AI, with information security guaranteed. More than 700 employees used it, and we confirmed that efficiency improved in such tasks as summarizing documents and drafting answers to inquiries. Going forward, we plan to expand the scope of use while paying attention to the accuracy of information, security, and other issues.

In FY2025.3, we will introduce an environment where all employees can use generative AI, accelerating new value creation and operational reform even further.



Aims of "Daigas X" are communicated and shared within the Group

### 3 DX Promotion Structure Enhancement

#### Promotion structure that aims to integrate business with digital

In FY2024.3, a new training program for managers was launched to improve their skills and transform their mindset. This adds to the lectures by and dialogues with external experts in place for the management since the previous year. We also enhanced the development of DX core staff, who play a core role in DX promotion. By implementing a development program that includes lectures, OJT, and feedback interviews and taking other measures, we have developed a total of approximately 180 DX core staff members as of April 2024. In addition, we offered a self-learning support program on DX for all employees, and approximately 700 employees took the program.

Furthermore, OGIS-RI Co., Ltd. offers DX Practical Training, which is a service where IT professionals work together with organizations to help resolve issues. More than 100 cases a year were submitted for consultation. There was a case where using IT tools in answering inquiries halved the hours spent on the task. The training also functions as an opportunity to gain experience on DX while implementing the transformation. With these initiatives, we aim to build a system where top-down and bottom-up approaches create synergy.

#### Development Program by Job Level

Job level	Development program
Management	<ul style="list-style-type: none"> <li>Lectures by and dialogues with external experts held about once a month (approx. 20 participants)</li> </ul>
Managers	<ul style="list-style-type: none"> <li>Rollout of videos and textbooks to gain basic knowledge, group training for part of managers</li> </ul>
DX core staff	<ul style="list-style-type: none"> <li>Development program including lectures, OJT, and interviews (developed a total of approx. 180 employees)</li> </ul>
All employees	<ul style="list-style-type: none"> <li>E-learning, courses for obtaining qualifications</li> <li>Share lectures for the management</li> <li>Offer a self-learning support program that mainly consists of online learning</li> </ul>