

Roundtable with the Outside Directors

We will further explore the vision for the Daigas Group from long-term perspectives.



Outside Director
**Kazutoshi
Murao**



Outside Director
**Tatsuo
Kijima**



Outside Director
**Yumiko
Sato**



Outside Director
**Mikiyo
Niizeki**

The Daigas Group is working to strengthen its corporate governance system to sustain growth and enhance medium- and long-term corporate value. We invited the four Outside Directors to come together to discuss the Group's management issues and future vision.



Effectiveness of the Board of Directors

■ **Niizeki:** Since joining the Board of Directors as an Outside Director appointed in June 2023, I have observed the effectiveness of our corporate governance. I appreciate how promptly governance issues are addressed.

Meanwhile, I would like us to discuss the company's purpose and long-term challenges more thoroughly. To deepen such discussions, we should explore ways to stay updated on each line of work, besides management information, more closely than ever.

■ **Sato:** I agree. During the previous Medium-Term Management Plan period, the entire company had to focus on addressing short-term issues, such as the impact of Russia's invasion of Ukraine and the Freeport LNG's plant shutdown. Osaka Gas' decision to transition to a company with an Audit and Supervisory Committee, as resolved at the June 2024 Annual Shareholders' Meeting, signifies the company's commitment to further exploring management policies and long-term strategies while enhancing corporate governance.

At the Remuneration Advisory Committee that I chair, we engage in dynamic discussions on officers' remuneration and other pertinent matters. The debate about introducing ROE as an indicator for performance-linked remuneration was a significant step toward achieving the Medium-Term Management Plan 2026 goals.

■ **Kijima:** I believe the Board of Directors operates effectively, with mechanisms being reinforced every year. Following our transition to a company with an Audit and Supervisory Committee, it would be beneficial for the Board to strengthen relationships of

trust with organization heads and devote more discussion to the company's directions.

Moreover, it is crucial to discuss future plans while reviewing the progress of the Medium-Term Management Plan execution. I believe that incorporating long-term, medium-term, and short-term perspectives in discussions will further enhance the effectiveness of the Board.

■ **Murao:** I have observed a corporate culture that values open and honest communication in the Board of Directors meetings, which is valuable for its effectiveness. Separately from the Board of Directors, we also hold Outside directors' meetings, where discussions become more extensive every year. It is critical to continue aiming higher instead of settling for the status quo. I am confident that transitioning to a company with an Audit and Supervisory Committee will further enhance the Board of Directors as a platform for more substantive discussions. As Ms. Niizeki pointed out, it is essential for us to remain updated on current issues by engaging with relevant personnel, including Executive Officers, to facilitate well-informed discussions on general subjects.

Discussions during the development of the Medium-Term Management Plan 2026 (CAD2026)

■ **Kijima:** When formulating CAD2026, I emphasized the need for a thorough review of the results of the previous plan. I believe that delving deeply into the issues and clearly defining our starting line will help to clarify how the Group should evolve over the next three years.

On one other point, given the Group's impressive aspiration of "secure peace of mind today, build

sustainable lifestyles for tomorrow" declared in CAD2026, I think it will be critical to discuss how to put this aspiration into action.

■ **Niizeki:** I remember that during the formulation of the Plan, we talked about the importance of clearly communicating the direction of the Daigas Group. There were also concerns about effectively communicating this Plan externally. It is vital to identify the target audience for specific topics. Across the company, numerous exciting initiatives are underway. There may be an opportunity to be more creative in communicating these initiatives.

■ **Sato:** Although the Group employs a variety of expressions to describe itself, as befits such a serious company, it might be more effective to communicate them in simpler, more easily conveyed terms for promoting our numerous excellent initiatives, as we have discussed previously.

■ **Murao:** As already pointed out in this discussion, in formulating CAD2026, I emphasized the importance of considering the future state of the Daigas Group on several occasions. This is not just about the next several years but about how the company will contribute to society in 20 or 30 years. I believe this discussion is crucial.



While discussing investment for growth as an extension of current business is essential, we should also look further into the future. We need to expand our businesses that give hope and dreams to society and help result its issues. These discussions require long-term perspectives and should be led by emerging talent within the company rather than the current management executives. It would be beneficial to explore new ideas, such as what the nature of the business will look like in 30 years.

Initiatives in the Medium-Term Management Plan 2026 (CAD2026)

Murao: CAD2026 focuses on allocating cash generated from successful management strategies executed to date. It is important for the Group to balance capital allocation between shareholder returns and investment for medium- to long-term business growth and human resource development.

Niizeki: I am proud of the Group's ongoing progress in e-methane and renewable energy initiatives, aiming to become a leading company in a



carbon neutral society. This progress will create value for a sustainable future. When it comes to co-creating value for a sustainable future, which is the first of the Three Commitments,* the Key Strategy for the current medium-term period, we need to enhance our engagement in co-creating such value globally, going beyond the borders of the Kansai region and Japan.

*Please see □□ P.31 for details about the Three Commitments.

In terms of the second Commitment to supporting employees in shining in their roles, DE&I (Diversity, Equity, and Inclusion) is a significant challenge. We need to identify ways to further advance employees' inclusion, or in other words, co-creating value with them, as well as providing a pleasant working environment for all our employees.

Regarding the third Commitment to evolving the business foundation, I strongly support the strategies of setting targets for ROE and ROIC, as well as pursuing asset rebalancing. Meanwhile, it will also be increasingly critical to update our long-term strategies, such as how to deploy future-oriented investment for growth by leveraging the Group's financial soundness.

Kijima: The Key Strategy's Three Commitments are all equally important, and I believe they serve as excellent guiding principles that will steer the Daigas Group toward a successful future. Echoing the words of management scholar Peter Drucker, "Culture eats strategy for breakfast," I would like to emphasize the importance of assessing the corporate culture as the driving force behind strategy implementation, which the Group has fostered over the years. While revisiting the core purpose of Group as a gas business operator, we need to continue upholding a corporate ethos centered on a strong sense of mission in its contributions and roles as a down-to-earth business.

Sato: I admire the Group's aspiration of "Secure peace of mind today, build sustainable lifestyles for



tomorrow," the Purpose declared in CAD2026. I have always seen the Daigas Group as an "audacious" company that daringly takes on various challenges. While the Group is addressing a wide variety of issues in our evolving society, the company needs to improve its communication of these efforts to the public in light of how we want them to be perceived by society.

Regarding the issue of DE&I that Ms. Niizeki mentioned, while I acknowledge the Group's steady progress in implementing its plans, I believe we need to communicate more vigorous and straightforward messages internally to boost the morale of the entire Group. I support the Group's innovative approaches based on diverse ideas.





Next focus areas for the Daigas Group

■ **Kijima:** Amid significant changes of the times, we need to reflect on the mission of the Daigas Group. Identifying what should be firmly upheld and what should be changed will provide clarity on the key areas that require our attention. As we implement CAD2026, we must foster a shared understanding across the organization regarding what must be maintained and what must be updated before undertaking the Three Commitments.

■ **Murao:** The Group's gas business, which is our core operation that supports people's daily lives and businesses, must operate steadily, prudently, and with a down-to-earth approach. Meanwhile, in sectors beyond gas and pipelines, the Group needs to evolve into an innovation business. This transformation requires investment in research and development. In addition to the ongoing research on methanation, we need to explore our involvement in hydrogen energy utilization, increasingly competitive storage battery development, and other emerging sectors. We should also aim to enhance our businesses in the Life & Business Solutions segment. I am dedicated to providing valuable recommendations.

■ **Sato:** In the future, we cannot rely solely on the Japanese markets. Instead, we must expand our overseas businesses with strong commitment. Business planning based on the current market conditions will not lead to sustainable growth. It is essential to send our emerging talent into global markets to collaborate with individuals from diverse backgrounds. While there may be instances of failure and the subsequent pain in business retreat, there is much to be gained and many lessons to be learned from these experiences. The Group is already advancing its initiatives overseas, and these invaluable experiences will develop human resources needed to drive our future business growth.

■ **Niizeki:** From the perspective of society's sustainability, the Daigas Group must establish systems to address carbon neutrality and other pressing challenges ahead of others, which requires innovation. One area of particular focus for me is corporate governance. While I believe the Group can swiftly respond to management risks, I also see the importance of promoting shared approaches to risks and risk hedging across the organization from company-wide perspectives. Strengthening governance in this manner will contribute to the sustainable growth of the Group.

Anticipations for the Daigas Group

■ **Sato:** I hope that the Daigas Group will continue to be "audacious" in a positive way, known for its intriguing undertakings that give hopes and dreams to society. The Group comprises exceptional individuals with tremendous potential. I look forward to the Group's evolution into a business organization that embraces challenges of a grand scale.

■ **Niizeki:** Similar to what Ms. Sato mentioned, I want the Daigas Group to embody its catchphrase, "SasuGas" (a play on words combining the Japanese word "sasuga," meaning "just as you would expect," and the English word "gas"). I hope the Daigas Group always aspires to be a corporate group that meets and even goes beyond people's expectations in taking on challenges, engaging with local communities, and performing meticulous work.

■ **Kijima:** I have high hopes for the Daigas Group to become a standout business entity in 2040 and 2050. Achieving this requires three key factors: first, establishing robust governance; second, aligning business strategies with environmental changes; and third, adapting organizational culture in response to these changes. Combining these factors will make the outlook for 2050 promising. The basis for achieving this goal is the human resources strategy. Given the ongoing social transition to carbon neutrality, we need to enhance the skills of a limited workforce, cultivate the right talent to tackle future social challenges, and reform personnel systems and the frameworks for education and training. As an Outside Director, I am committed to carefully considering solutions to these challenges.

■ **Murao:** I want the Daigas Group to continue pursuing innovation. It will play a key role in realizing the ambition to become a leading company 20 or 30 years from now in business fields that are entirely different from the Group's origin. Taking real estate development business in the Life & Business Solutions segment as an example, I hope our endeavors extend beyond building condominiums to offering comprehensive daily-life solutions encompassing energy, transportation, and community development tailored to future needs. I eagerly anticipate the transformation of the Daigas Group into an integrated innovation business by 2050.

