

# Message from the President

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

Representative Director and President  
**Masataka Fujiwara**



### Review of the previous Medium-Term Management Plan period

The previous Medium-Term Management Plan period was marked by a series of unexpected events, such as the COVID-19 pandemic, growing political and economic instability both in Japan and overseas, and the Freeport LNG's plant shutdown. Amid such challenging circumstances, we devoted our efforts to the continuity of energy supply and services without disruption to fulfill our mission to ensure safety, security, and supply stability. Consequently, the Daigas Group achieved business growth and expansion despite the adversity. This success is a testament to the propriety of our vision and portfolio-oriented

business management, which have been driven by the dedication of the Daigas Group people, who understand the importance of the Group's vision and management approach.

Under the previous Medium-Term Management Plan, we focused on co-creating value for a sustainable future with our stakeholders and evolving our corporate group by strengthening our business foundation, aiming to contribute to realizing a sustainable society. In our value-creation efforts, we achieved a 2.5 GW renewable energy development contribution, advanced e-methane supply chain and technology development, gained 10 million customer accounts ahead of schedule, and expanded the business fields of the Life & Business Solutions (LBS) segment. In our

corporate-evolution initiatives, we boosted the Group's profitability and business foundation by strengthening our portfolio with business growth in the International Energy and LBS segments, raising the awareness of ROIC, advancing DX, and diversifying employees' ways of work.

As a result, our FY2024.3 profitability indicators exceeded the Medium-Term targets.

In the same period, our business environment underwent significant changes. There has been an acceleration in global carbon-neutral efforts and an increased focus on energy security, which heightened society's expectations for the Daigas Group to achieve carbon neutrality and energy security. We are working on carbon-neutral solutions, focusing on e-methane and



aiming to commence its production and supply to the Japanese markets. In the meantime, we intend to resolve relevant issues, such as discontinuous technological development and a lack of cross-border carbon emissions accounting rules.

Another change in our business environment can be seen in the labor market. Securing human resources has become a pressing issue in this age of diversified ways of work, enhanced labor mobility, and a shrinking working population due to the declining birthrate and aging demographics. Our human capital management strategy puts an emphasis on DE&I (Diversity, Equity & Inclusion) to enhance employee engagement and connection to the company, adapting to their increasingly diverse values, ways of work, and even views of life affected by the pandemic. At the Daigas Group, we value a corporate culture that encourages collaboration among talents with diverse values to promote their development. We employ multiple approaches to this goal rather than relying on a single solution.

## Daigas Group's vision for the future

We are in a time of significant shift, facing the growing instability of energy security and intensifying natural disasters, which are posing a threat to people's peace of mind today. Simultaneously, we must advance the development of sustainable lifestyles for tomorrow, when today's social issues are resolved by achieving carbon neutrality and other goals for 2050. We believe the trend toward

carbon neutrality and the mounting instability of energy security will have the most profound impact on the Group's business development in the coming years.

The Group has been working toward achieving the Long-Term Management Vision 2030, which we announced in March 2017. In formulating the Medium-Term Management Plan 2026: Connecting Ambitious Dreams (CAD2026), we recognized the necessity of ultra-long-term perspectives that stretch beyond 2030.

Envisioning society around 2030, I imagine we would see greater diversity in values, a technologically advanced society driven by digitalization, and increased calls for companies to address social issues globally. The energy sector is in dire need of a powerful leader in building a pathway toward achieving carbon neutrality by 2050 and implementing practical

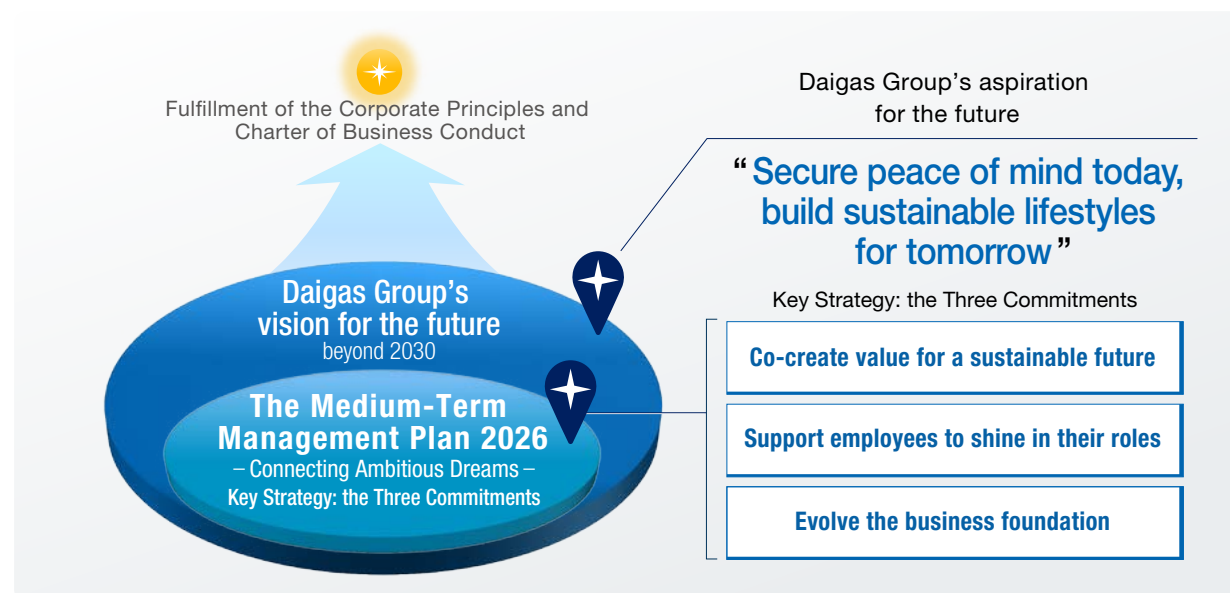
solutions for the goal.

We aim to become such a pivotal player in the industry and contribute to this vital objective.

This aspiration is expressed as “secure peace of mind today, build sustainable lifestyles for tomorrow” in CAD2026. It aligns with the Daigas Group's Corporate Principles and Corporate motto and takes into account ongoing changes in the business environment and our ultra-long-term perspectives. Embracing this aspiration, the Group strives to respond to immediate changes and devise solutions for a sustainable future.

## Intentions incorporated in the Medium-Term Management Plan (CAD2026)

To realize this aspiration, we have identified Three



Commitments as our Key Strategy in CAD2026 to ensure value creation for our stakeholders. The first Commitment is to co-create value for a sustainable future by addressing social issues through the two-pronged approach of advancing carbon neutrality and promoting the use of natural gas. The second Commitment is to support employees in shining in their roles by cultivating a corporate culture that encourages the development of diverse talent through collaboration. The third Commitment is to evolve the business foundation by executing asset-light management throughout the Group. Our goal is to achieve the Group's continued growth and contribute to realizing a sustainable society.

Under our first Commitment to co-create value for a sustainable future, we are developing e-methane technologies, building its supply chains, and working toward expanding renewable energies. We are also facilitating wider usage of natural gas as a key transition fuel globally to contribute to CO<sub>2</sub> emissions reduction in the near term. In addition, we are responding swiftly to new developments in e-methane, such as the recent announcement of the Japanese government's Basic Hydrogen Strategy, which has garnered increased public recognition of e-methane. We are leveraging this opportunity to expedite our efforts to incorporate e-methane into international rules for CO<sub>2</sub> emissions.

We are also improving our services with our digitalization solutions. We pursue advanced data utilization to provide comfortable lifestyles for residential energy customers. For commercial and industrial energy customers, we offer

expanded energy-related services, such as D-Lineup, to enhance their corporate value.

Energy safety, security, and resilience are essential in achieving our value co-creation. We take measures to reinforce the safety and stability of energy supply chains by striving for zero serious accidents and zero supply disruptions caused by our own company. We also aim to boost the resilience of customers and society by promoting the development and widespread use of fuel cells and other disaster-resistant equipment and energy systems.

Our second Commitment to support employees in excelling in their roles follows our Charter of Business Conduct, in which we advocate providing a work environment that supports employee development. This Commitment is also in sync with the ongoing changes in the environment surrounding our people.

In recent years, the values of working individuals have increasingly diversified, accompanied by significant changes in the working environment. We have entered an era in which individual employees proactively manage their own drive and motivation toward their work. We firmly believe that our distinctive corporate culture, which we have cultivated through many years of business operations, sets the standards for their judgements and actions. It also serves as the basis for improving the quality of work and the organization's solidarity. The corporate culture plays a crucial role in these times of growing diversity and uncertainty. We foresee a time when companies are chosen based on their corporate culture that resonates with customers, communities, and workers.

Such selected companies will attract more diverse talent and enhance corporate value through their collaboration where they are encouraged to perform to their fullest potential. This is what we aim to be, and we concentrate our efforts on acquiring, developing, upgrading, and deploying skilled talent to align with job requirements.

I strongly believe that it is people who drive corporate activities, and I communicate this belief to employees whenever I have the opportunity. In my regular workplace visits and dialogues with employees, I talk with them about how to make our company more attractive and our working environment more comfortable. The employees always display a strong awareness, further strengthening my determination to respond to their expectations. I am dedicated to fostering a work environment where all employees have growth opportunities and derive satisfaction from collaborative efforts. I am confident that such a work environment will lead to the advancement and evolution of the Daigas Group.

In our third Commitment to evolve the business foundation, we are implementing asset-light



President's dialogue with junior staff filmed and posted on the inhouse website.



management to enhance corporate value without compromising capital efficiency while investing in the carbon neutrality field and developing other businesses for future growth. When I speak of asset-light management, I don't mean merely divesting our assets. It means identifying value-generating assets and concentrating our efforts on maximizing the value of such assets instead of holding onto those no longer make a difference in holding. This approach will allow us to evolve into a lean company, which I believe is the source of our competitiveness.

In these times of change, I believe that what is required above all is the ability to respond flexibly and dynamically to changing business environment. While demonstrating our Group's collective strengths, we are working to develop our digital talent and strengthen our structures,

aiming to promote our business digitalization and reform through DX.

We also strive to make decisions flexibly in response to the changing business environment. To meet the goal, we established the Risk Management Committee in April 2024. It is a Group-wide organization that comprehensively manages risk associated with sustainability, compliance, accounting, finance, cyber security, and overseas investment in the Group's expanding business domains. Furthermore, transforming ourselves to a company with an Audit and Supervisory Committee will strengthen our supervisory functions and enhance discussions about management policies and strategies at the Advisory Committee on Management and other committees.

### Targets we aim to achieve at the Daigas Group

Our goal is to co-create value with our stakeholders to resolve social issues. We intend to fulfill this mission through our Three Commitments in CAD2026, which are to co-create value for a sustainable future, support employees in shining in their roles, and strengthen the business foundation. These three Commitments were formulated based on our key issues (materiality), which were reviewed by external experts and the Group's relevant organizations.

Looking further ahead beyond 2026, we aim to

achieve our financial targets of approximately 200 billion yen in ordinary profits in 2030, as well as ROIC of 6% and ROE of 10% early in the 2030s. We have also set non-financial targets, such as injecting 1% e-methane into the gas grid by 2030 and advancing methanation technology development. For our shareholders, we strive to maintain stable dividends and achieve dividend increases in line with our business growth in the medium to long term as per a newly introduced progressive dividend policy. We have changed the shareholder return indicator from payout ratio, which is greatly affected by single-year profit fluctuations, to dividend-on-equity (DOE), which is less susceptible to profit fluctuations. In addition, we will consider flexibly implementing share buybacks and other measures to improve capital efficiency.

To realize sustained growth, we aim to continue our corporate evolution by constantly taking on challenges in various fields in Japan and overseas to contribute to resolving social issues.

September 2024

