

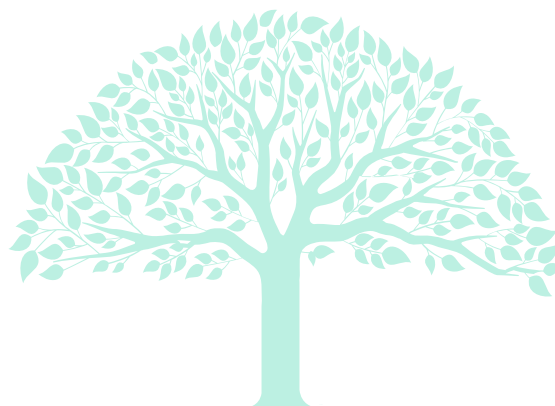
# Daigas Group

## Medium-Term Management Plan 2023

Creating Value for a Sustainable Future

March 10, 2021

Osaka Gas Co., Ltd.



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## Review: Medium-Term Management Plan 2020 – I

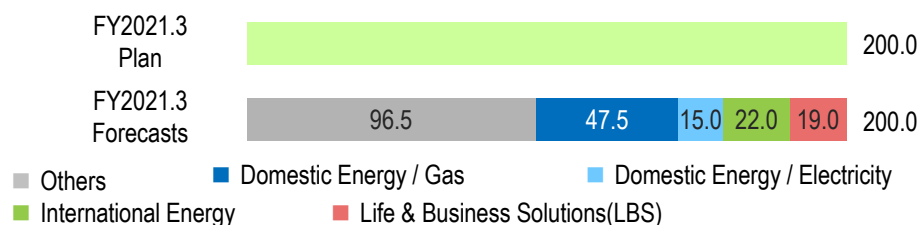
We expect most of our key management indicators to meet the targets set out in the Medium-Term Management Plan 2020 by the end of FY2021.3.

### Progress of Medium-Term Management Plan 2020

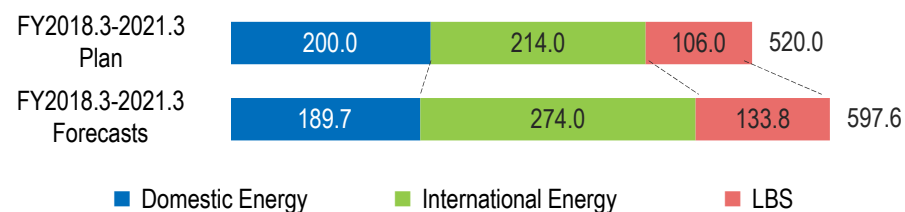
		FY2021.3 Forecasts	FY2021.3 Medium-Term Management Plan
Profitability indicators	ROE	7.0%	7.0%
	ROA	3.2%	3.5%
	EBITDA	200.0 billion yen	200.0 billion yen
Financial soundness indicators	Shareholders' equity ratio*	50.1%	Around 50%
	D/E ratio*	0.65	Approximately 0.70
Shareholder returns	Payout ratio	30.5%	30% or higher

\* Calculated with 50% of issued hybrid bonds as equity

### - Breakdown of EBITDA (billion yen)



### - Investment for business growth (billion yen)



## Review: Medium-Term Management Plan 2020 – II

During the last four years when we faced business environment changes such as full deregulation of gas and electricity retail markets in Japan, we managed to build the foundation for business portfolio management through investment for growth in the International Energy business and steady growth in the Life and Business Solutions business.

### Domestic Energy Business

- Achievement of 9.3 million customer accounts\* through expanding electricity retail and wider area businesses in Japan.
- Expanded renewable energy business.
- Improvement of business operations by establishing core energy business companies.
- Enhancement of disaster prevention for early recovery.

\*FY2021.3 forecast

### International Energy Business

- Expansion of the business foundation in North America.
  - ✓ Acquisition of shale gas development business in North America. (Sabine Oil & Gas Corporation)
  - ✓ Participation in several IPP projects in North America.
  - ✓ Launch of Freeport LNG commercial operation.
- Entered energy business in Southeast Asia such as gas supply in Vietnam.
- Launch of LNG trading business in Singapore.

### LBS Business



**OSAKA GAS**  
URBAN DEVELOPMENT Group

- Expanded assets through acquisition of rental properties and completion of sales properties.



**OGIS-RI Group**

- Contributed to Daigas Group's information technology.
- Expansion of business through utilization of proprietary technology such as AI.



**OSAKA GAS**  
CHEMICALS Group

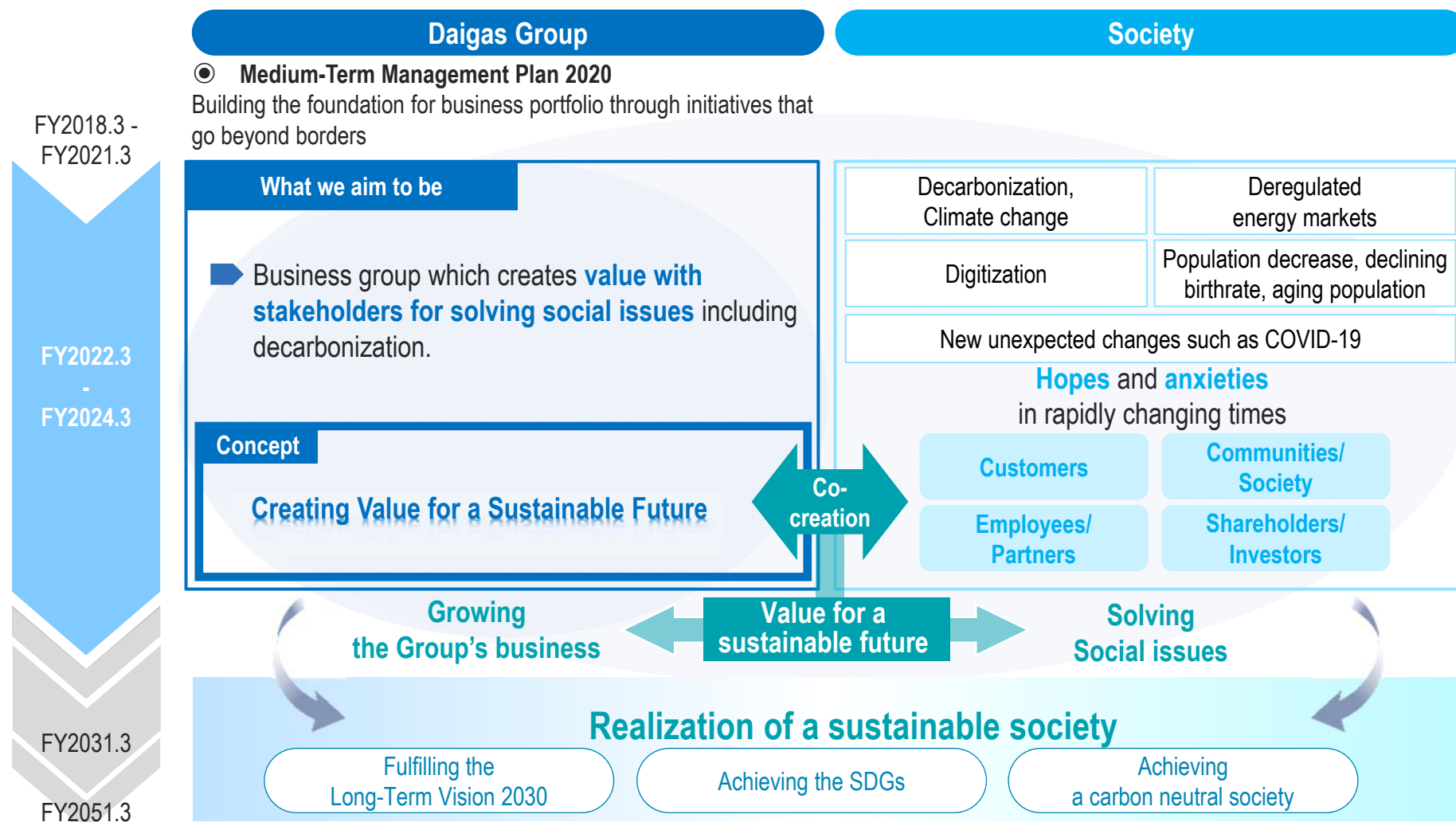
- Development and sales expansion of high value-added materials that create value for business, consumers, and environment.

## Declaration: **Creating Value for a Sustainable Future**

- With the effects of climate change growing, the trend toward decarbonization accelerating, and COVID-19 spreading globally, people's way of life, work, lifestyles, and values are dramatically changing, which is increasing the importance of sustainability.
- In this Medium-Term Management Plan 2023, **we aim to solve various issues in building a sustainable society by taking on new challenges as well as existing ones while thereby achieving further growth of the Daigas Group.**
- We focus our efforts on **creating value for a sustainable future with our stakeholders by utilizing our strengths in developing solutions and innovations, and share the achievements with our stakeholders.**
- In the meantime, we intend to **enhance our business portfolio management** by taking various measures such as introducing ROIC to our KMLs.
- **We aim to be an innovative energy and service company that continues to be the first choice of customers while striving to make contributions to achieving a sustainable society.**

## Medium-Term Management Plan 2023 as a Momentum Builder

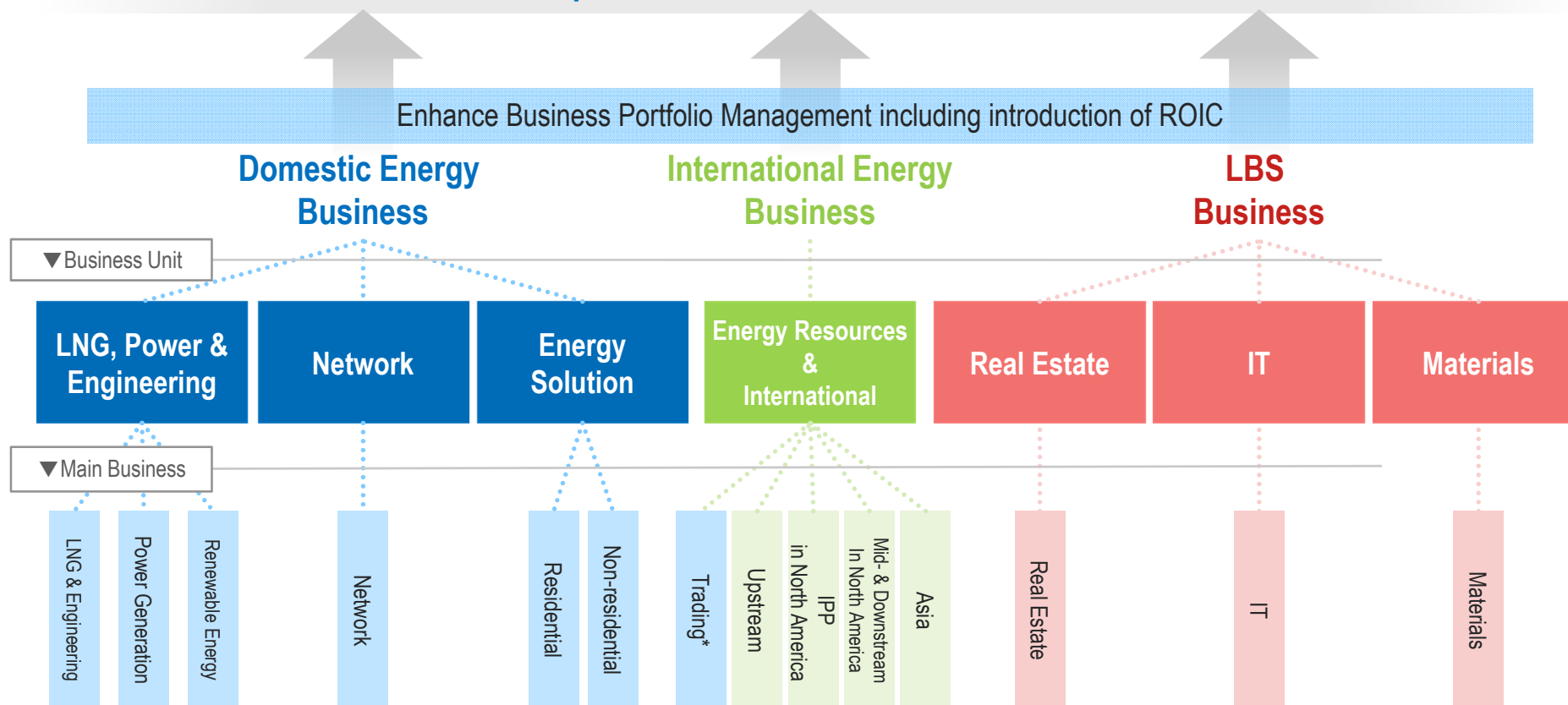
Under the Medium-Term Management Plan 2023, we strive to build up momentum for a further growth of our business as a corporate group that provides solutions to achieving a sustainable society, focusing on creating value for a sustainable future with our stakeholders.



## Enhancement of Business Portfolio Management

We plan to evolve into a group of enterprises with a robust business portfolio by promoting each business unit's autonomous growth and optimally allocating resources throughout the Group.

- Improve each business unit's capabilities of autonomous management and expansion
- Build a robust business portfolio



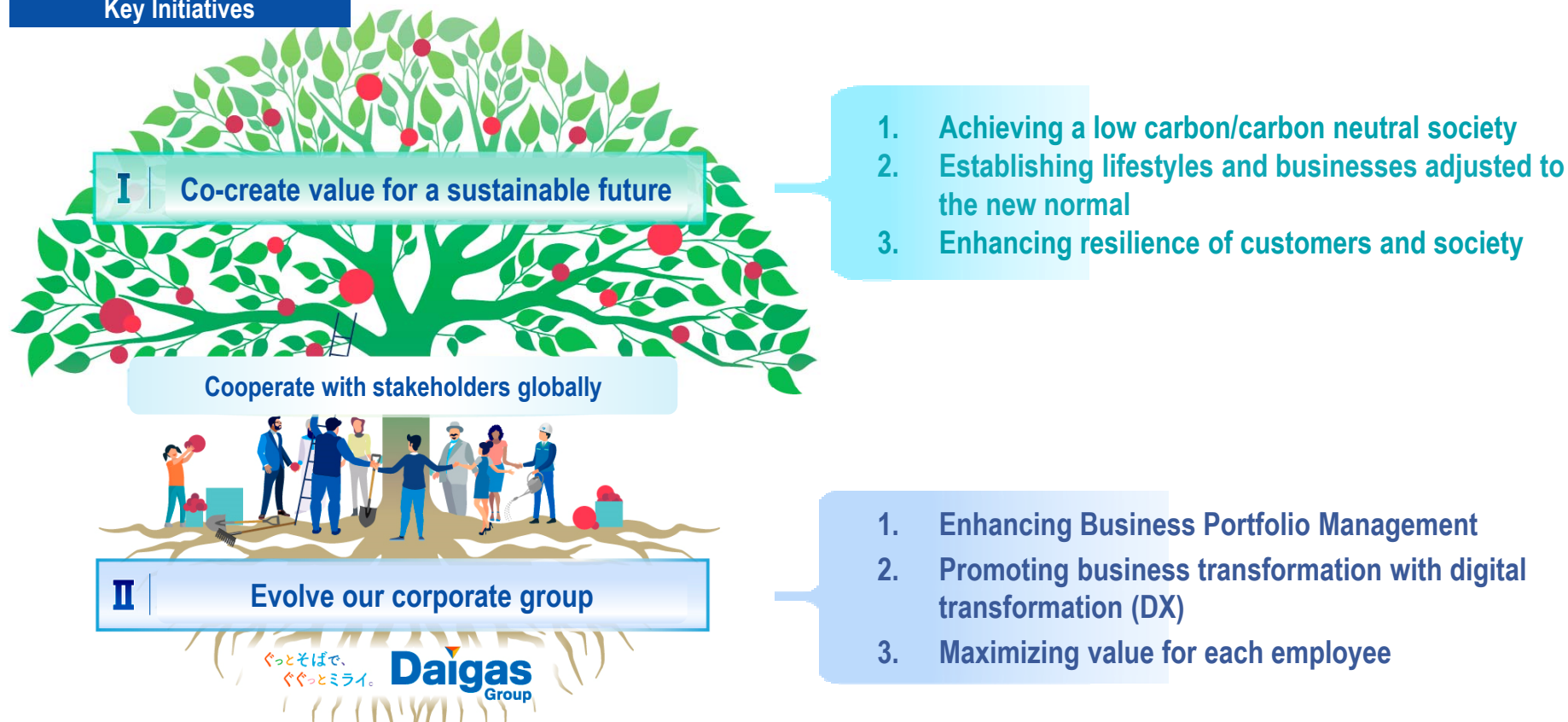
\*Trading is included in the Domestic Energy Business segment.

## Medium-Term Management Plan 2023 - Creating Value for a Sustainable Future

### Key Strategy

- I. **Co-create value for a sustainable future:** Pursuing the creation of value for solving social issues alongside stakeholders.
- II. **Evolve our corporate group:** Building a robust business portfolio and strengthening the management foundation to support the enhancement of our business portfolio management.

### Key Initiatives



### Key points

Achieving approx. 5% In ROIC

Increasing cash flows from operating activities by 50%\*

Distributing shareholder returns when we achieve profit growth

\*Total amount from FY2022.3-FY2024.3 divided by Total forecasts from 2019.3-2021.3



## Key Initiatives

### I . Co-create value for a sustainable future

SDGs we contribute to

#### 1. Achieving a low carbon/carbon neutral society



#### 2. Establishing lifestyles and businesses adjusted to the new normal



#### 3. Enhancing resilience of customers and society



### II . Evolve our corporate group

SDGs we contribute to

#### 1. Enhancing Business Portfolio Management

#### 2. Promoting business transformation with DX

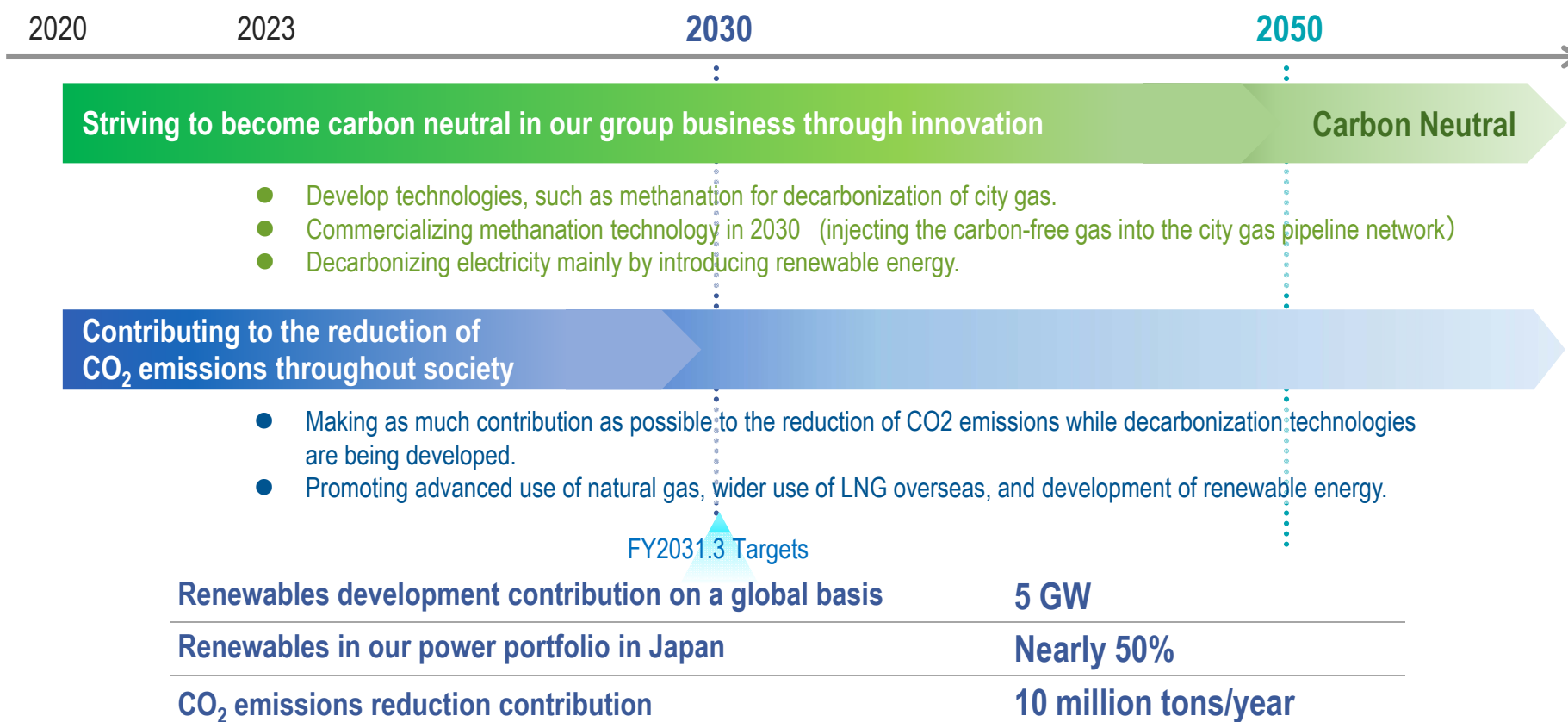
#### 3. Maximizing value for each employee





## 1. Achieving a low carbon/carbon neutral society

As our contribution to achieving a low carbon/carbon neutral society, we strive to become carbon neutral by 2050 through decarbonization of our gas and electricity and through contribution to the reduction of CO<sub>2</sub> emissions.



### Strengths of the Daigas Group

Know-how of developing and operating renewable power sources

Expertise of fuel conversion to natural gas for in-house power generators and heat consuming facilities

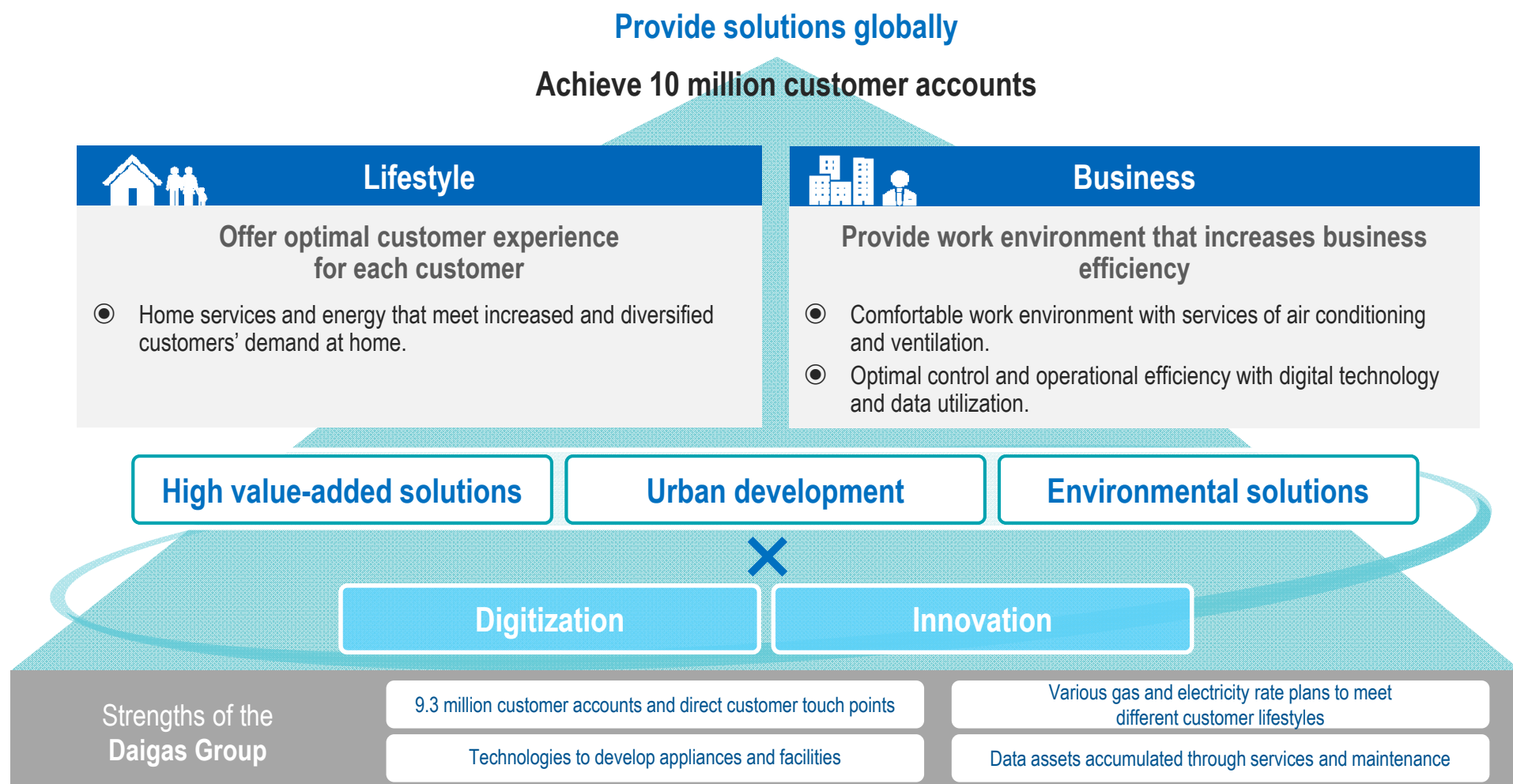
Experience in procuring competitively priced LNG and developing shale gas

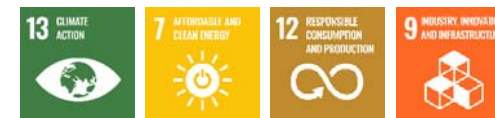
Accumulated knowledge of methanation technology



## 2. Establishing lifestyles and businesses adjusted to the new normal

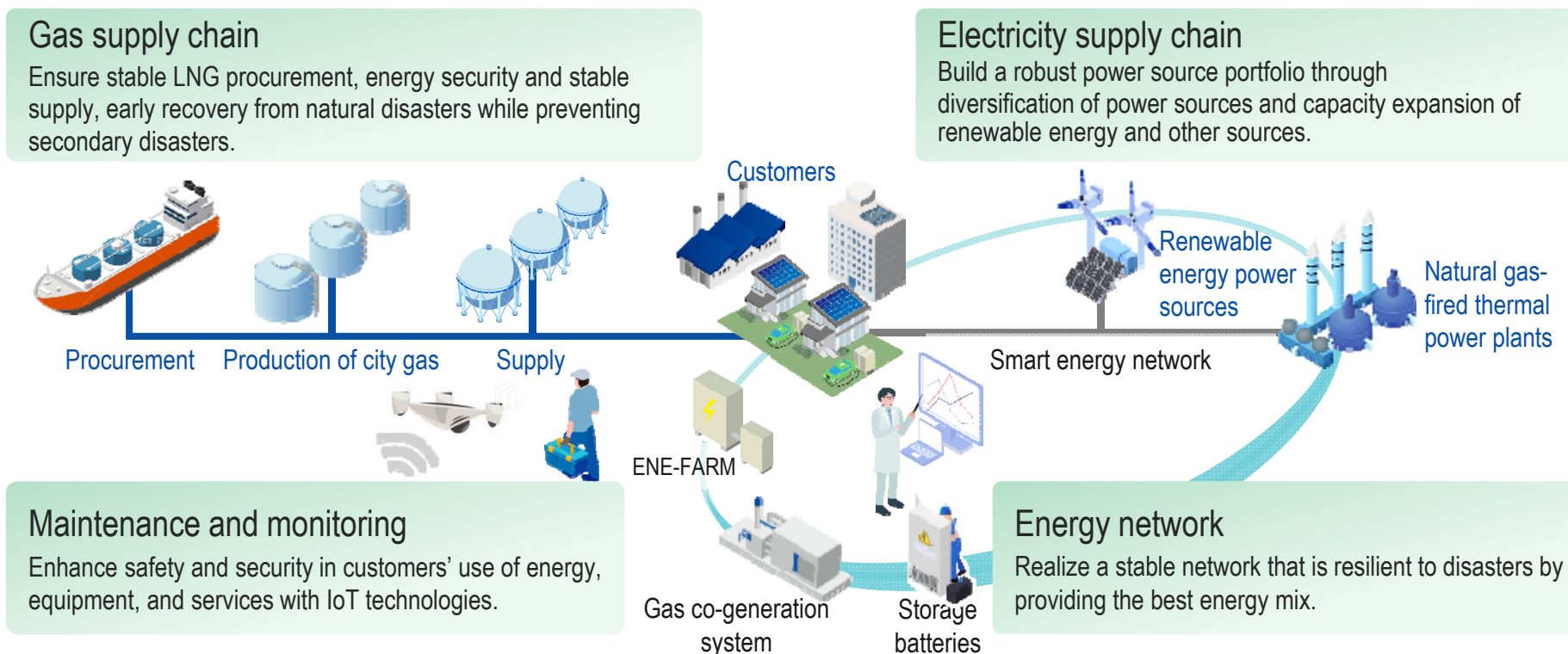
We globally provide services as optimal solutions to each customer's adjustment of their lifestyles and businesses to the new normal.





### 3. Enhancing resilience of customers and society

We aim to enhance energy resilience for customers and society by reinforcing gas supply chain infrastructure for stable supply and expanding energy network combined with distributed power sources.



Taking measures against infectious diseases such as the COVID-19

Strengths of the  
Daigas Group

Secure and stable energy supply & capability to respond to disasters

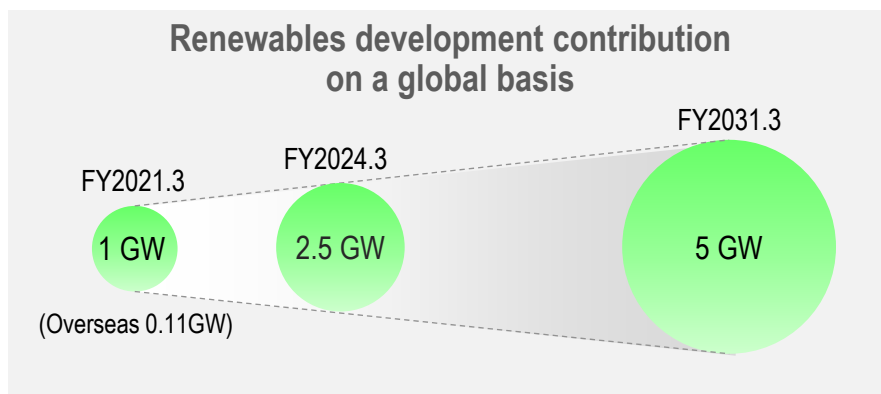
The achievements of operation in remote facility management  
by utilizing IoT

Use of natural gas-fired thermal power sources, renewable energy sources, and decentralized power sources.

## Our initiatives in detail – I (achieving a carbon neutral society)

### Contribution to CO<sub>2</sub> emissions reduction

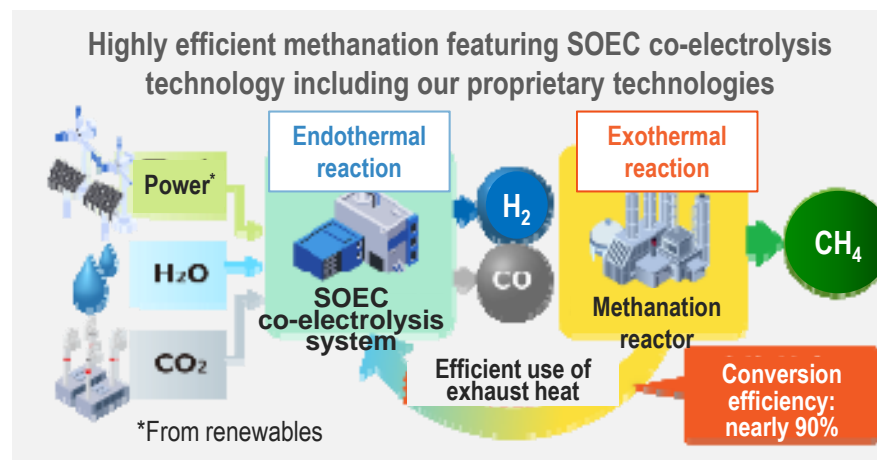
- Greater contribution to renewables development
  - ✓ Develop projects including new power sources such as offshore wind and geothermal power generation. Expand power procurement on an OTC basis.
  - ✓ Meet the needs for renewable energy.



- Contribution to the reduction of CO<sub>2</sub> by offering energy saving proposals and converting fuel from coal to natural gas

### Technological development for carbon neutrality

- Innovative methanation technology development and collaboration with various partners
  - ✓ Commercialize methanation in 2030.



### Collaboration with various partners

Hydrogen utilization

Biogas

Carbon recycling technology

Carbon neutral fuel

## (Reference) Showcasing our carbon neutral solutions at the Osaka-Kansai Expo 2025

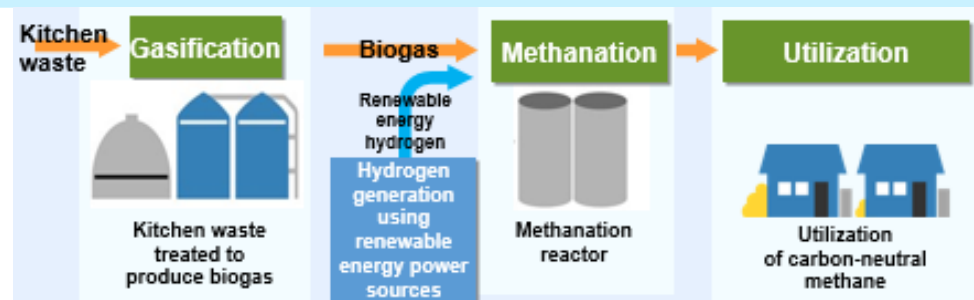
As our contribution to further growth of Osaka and the Kansai region, we will take part in the Expo 2025, an opportunity to showcase our decarbonization solutions. We aim to demonstrate that our technologies can create value and solve issues in building a sustainable future.

As an energy and services company, we plan to exhibit to the world our energy solutions to achieving a carbon neutral society in collaboration with local communities and governments.



Courtesy of Japan Association for the 2025 World Exposition Japan Association for the 2025 World Exposition

### Demonstrate our carbon neutral solutions in the Expo's Future Society Showcases



Demonstration of biogas methanation using kitchen waste\*

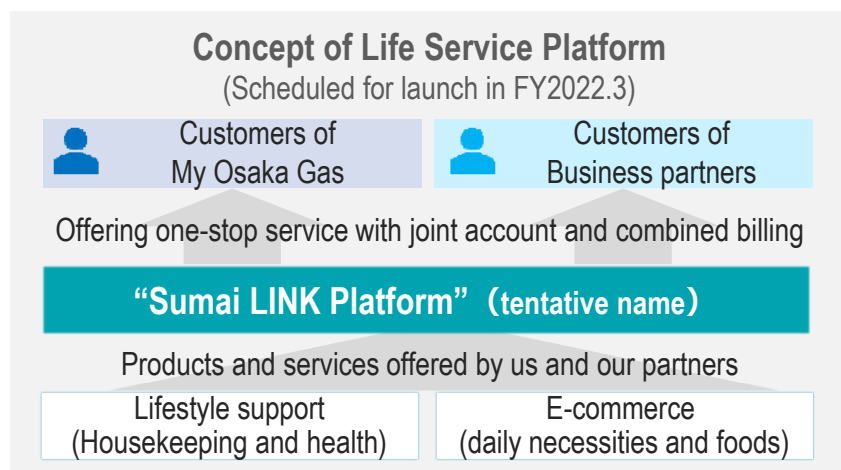
\* We submitted a proposal to the Japan Association for the 2025 World Exposition upon the solicitation of PLL proposals in January 2020.



## Our initiatives in detail – II (DX for solutions in the era of new normal)

### Home service platforms

- Offer optimal customer experience for each customer
  - ✓ Build a system that can provide optimal solutions both physically and digitally at optimal timing.



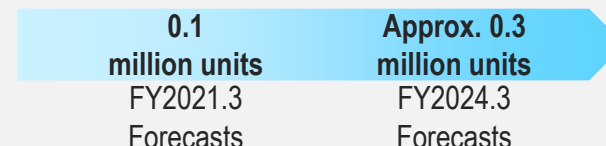
### IoT services

- Expand our line of IoT services designed for customers' facilities

**ツナガルde機能**  
Residential gas appliances

**D-Fire**  
IoT solution for plants

#### Target of IoT-connected gas appliances (Residential)



- Enhance collaboration with startups that own advanced technologies

### Promote DX by leveraging the Daigas group's collective strength

- Introduce new services utilizing Real Estate Tech for rental properties



App of Palette Management  
(Palette Cloud, Inc.)



Smart Lock  
(Bitkey Inc.)

- Promote DX strategy and expand proprietary technology services by utilizing expertise of OGIS\*



**yonobi** Rule-based AI support tools

\*Osaka Gas Information System Research Institute Co., Ltd.

## Our initiatives in detail –Ⅲ (lifestyle and businesses solutions in the era of the new normal)

### Meeting diversified needs of customers

- Expand customer accounts and enhance value per account
  - ✓ Offer a wider variety of rate plan options and home services to meet increased and diversified customers' demand at home.

#### Number of customer accounts

**9.3 million**

FY2021.3  
Forecasts

**10.0 million**

Further target we aim to  
achieve in the near future

- Provide total solutions to non-residential customers
  - ✓ Maximize value of ESP (energy service provider) including water treatment, environment and biotechnology in ventilation, air conditioning, and industrial heat.

#### ESP target

**To Increase profit by approximately 50%**

(FY2021.3→FY2024.3)

### Highly functional materials

- Provide high-quality material solutions
  - ✓ Develop new fine material products for the optical electronic materials market.
  - ✓ Expand sales of diverse processed products of high-functional activated carbon.

### Steady expansion of the real estate business

- Realize smart urban development by the entire Daigas Group in conjunction with community and real estate development
  - ✓ Build a portfolio with emphasis on housing in the Greater Tokyo Area.
  - ✓ Expand business domains by utilizing owned assets (to logistics, etc.).



## Our initiatives in detail –IV (North American business in International Energy Business)

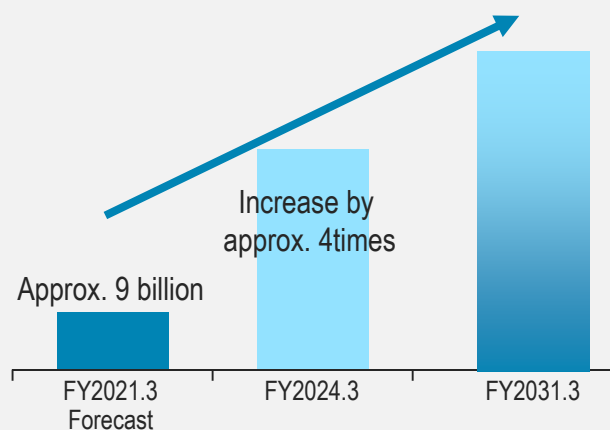
### Wider use of natural gas

- Promote advancement in the Freeport LNG project and the shale gas development business (Sabine Oil & Gas Corporation)
- Enhance our capabilities of asset management in the IPP business



Train 1 of liquefaction facilities in Freeport LNG project  
(Courtesy of Freeport LNG Development, L.P.)

### Forecast for profit\* in North America



\*Operating profit + Share of profit (loss) of entities accounted for using equity method

### Expansion of renewable energy business

- Expand renewable energy business in USA
  - Invest in renewable energy development businesses including SolAmerica Energy, LLC., and small-and medium-sized solar power businesses, etc.

### Expansion of renewable energy business

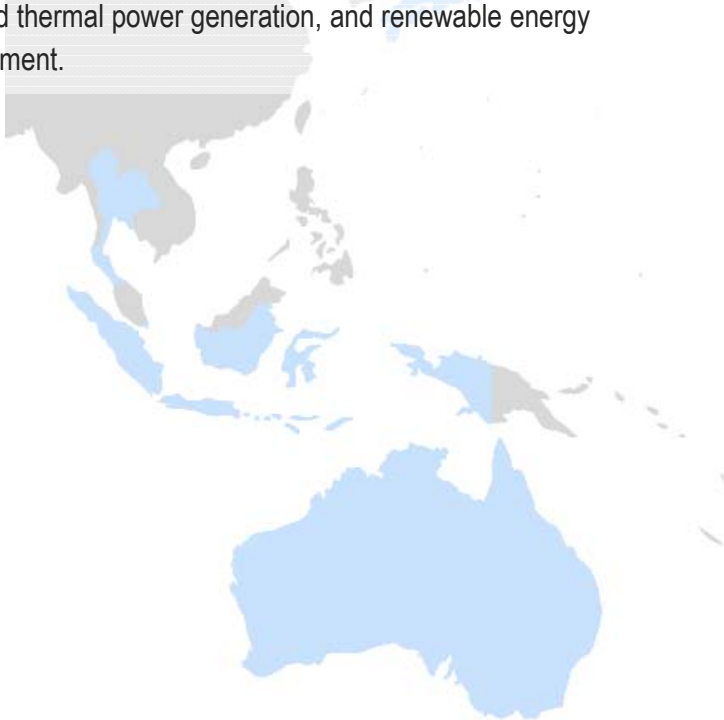
- Increase business control functions of OGUSA\* as an overseas regional headquarters

\*Osaka Gas USA Corporation

## Our initiatives in detail – V (Asia, Trading, decarbonization businesses in International Energy Business)

### Business expansion in Asia, a growing market

- Accelerate our business in Asia through our contribution to economic development and low carbonization with **renewable energy and energy infrastructure development**
  - ✓ Develop joint projects through collaboration with various partners.
  - ✓ Expand businesses of LNG terminal, gas supply, energy services, gas-fired thermal power generation, and renewable energy development.



### Competitive and flexible LNG procurement and optimization

- **Expand the LNG procurement portfolio**
- Optimize LNG procurement with our trading arm and fleet

### Decarbonization business

- **Develop joint projects of CCS\*1/CCUS\*2 and hydrogen in resource-producing countries including Australia and USA**
- Establish a business model such as VPP\*3 in UK
- Meet the needs for carbon neutral LNG supply
- Examine the potential of introducing green ammonia

\*1 Carbon dioxide Capture and Storage

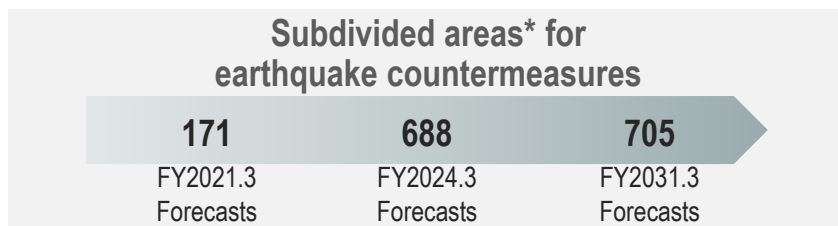
\*2 Carbon dioxide Capture, Utilization and Storage

\*3 Virtual Power Plants

## Our initiatives in detail – VI (energy resilience)

### LNG terminals, power plants, and gas supply network

- Boost productivity by building smart factories out of existing LNG terminals
- Enhance both security and productivity with DX and technological development in network operations
- Improve disaster response capabilities with earthquake resistant gas infrastructures and subdivided gas supply area management



\*Area Subdivision Plan is scheduled to be implemented in FY2022.3.

### Distributed power sources to enhance resilience

- Contribute to grid stabilization through optimal combination of renewable energy and distributed power sources
  - ✓ Develop VPP verification joint project featuring ENE-FARM.
  - ✓ Build a monitoring and controlling network for distributed power sources.



Residential fuel cells ENE-FARM

- Build power supply system for the blackout areas with renewable energy, gas cogeneration power, and micro-grid

## Key Initiatives

### I . Co-create value for a sustainable future

#### SDGs we contribute to

1. Achieving a low carbon/carbon neutral society



2. Establishing lifestyles and businesses adjusted to the new normal



3. Enhancing resilience of customers and society



### II . Evolve our corporate group

#### SDGs we contribute to

1. Enhancing Business Portfolio Management

2. Promoting business transformation with DX

3. Maximizing value for each employee



## 1. Enhancing Business Portfolio Management

We strive to improve our business portfolio management and governance while enhancing profit earning capabilities of each business unit by introducing ROIC.



**(Reference) Introduction of ROIC**

An indicator of how efficiently we earn profits from assets associated with our business

$$\text{ROIC} = \text{NOPAT}^{*1} / \text{Invested capital}^{*2}$$

Introduction of common indicators for each business unit and the Daigas group as a whole

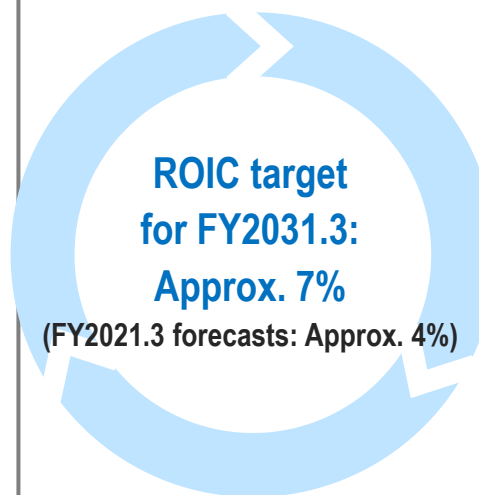
**Operation of Business Unit**

Set ROIC targets for each business unit



Promote autonomous management of business units

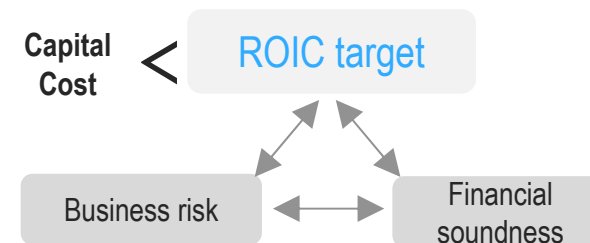
Periodic reviews



Resource allocation  
Assets replacement

**Business portfolio management**

Set, evaluate, and manage an ROIC target for the entire business portfolio



Build a business portfolio with a proper balance between risk and return

\*1 NOPAT = Ordinary profit + Interest expenses - Interest income - Income taxes

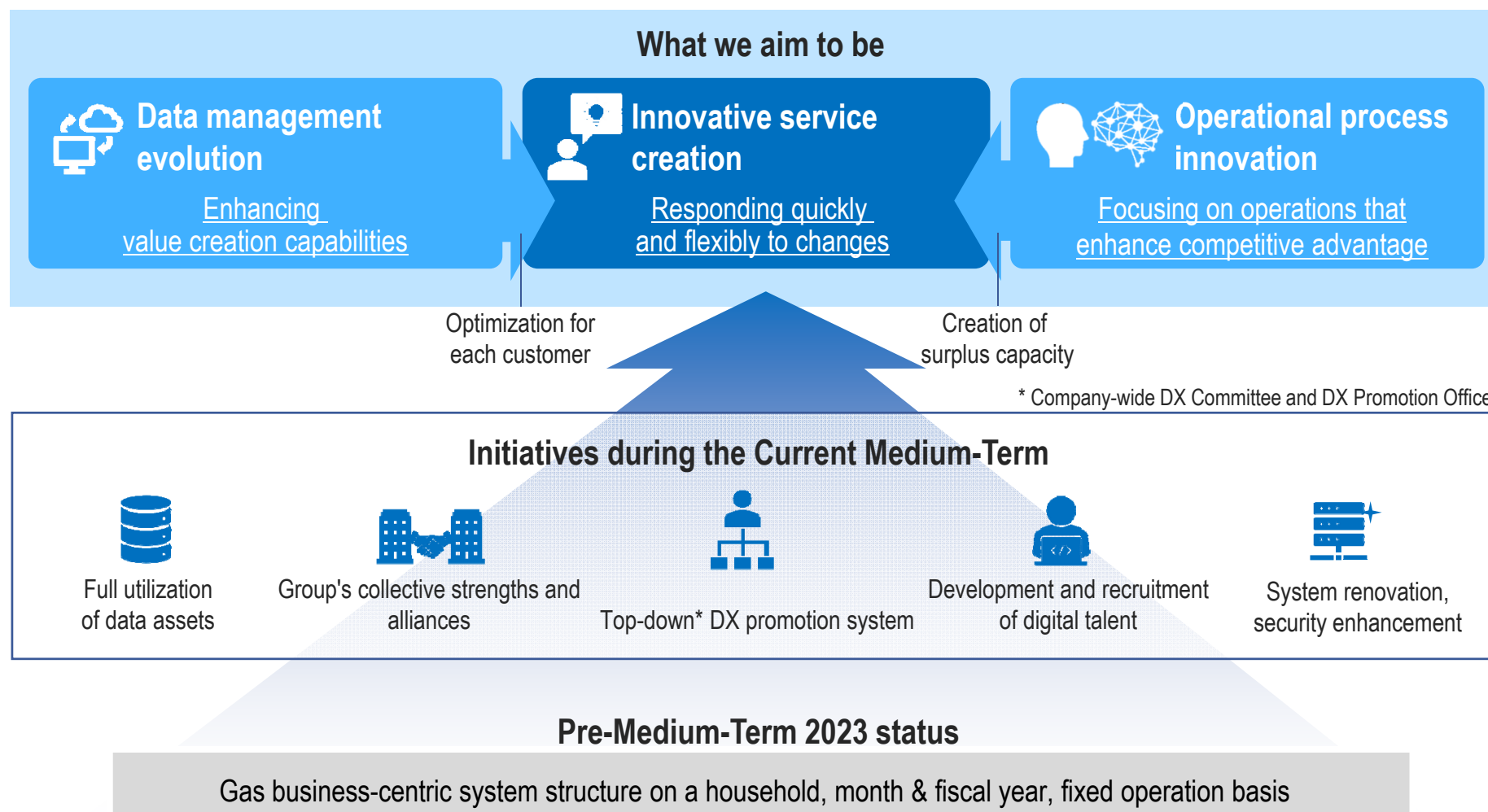
\*2 Invested capital = (Business Unit) Working Capital + Non-current assets

(Group-wide) Interest-bearing debts + Shareholders' equity (average of the beginning and the end of each fiscal year)

Interest-bearing debts excludes risk-free leased Liabilities to us.

## 2. Promoting business transformation with DX

We aim to achieve corporate evolution through business reform and innovation by increasing both quality and speed in customer interaction, digitization, and reform of all operations.



### 3. Maximizing value for each employee

We intend to build an organization with diverse talent and ways of work where employees can achieve personal growth through challenging tasks and feel a sense of fulfillment through social issue resolution.

#### Diverse talent and ways of work



- Promote **diversity and inclusion** for active participation of diverse talent
- **Reform business processes** with DX
- Improve the quality of work environment **regardless of locations**

#### Organization that provides personal growth and a sense of fulfillment



- Enhance employees' engagement through **social issue resolution**
- Foster the culture of **welcoming ambitions to take on challenges**
- **Maximize value for employees** by accelerating the appointment of the right person in the right place and securing close communications

Ensuring safety and promoting health maintenance



## Management Indicators of Medium-Term Management Plan 2023

We aim to enhance our earning capabilities through growth of our existing business and growth by investment and to ensure shareholder returns depending on our profit growth while maintaining our financial soundness. We also strive to achieve growth in each of our business segments, which are Domestic Energy, International Energy, and Life & Business Solutions.

**Medium-Term Management Plan 2023  
Management Indicators**

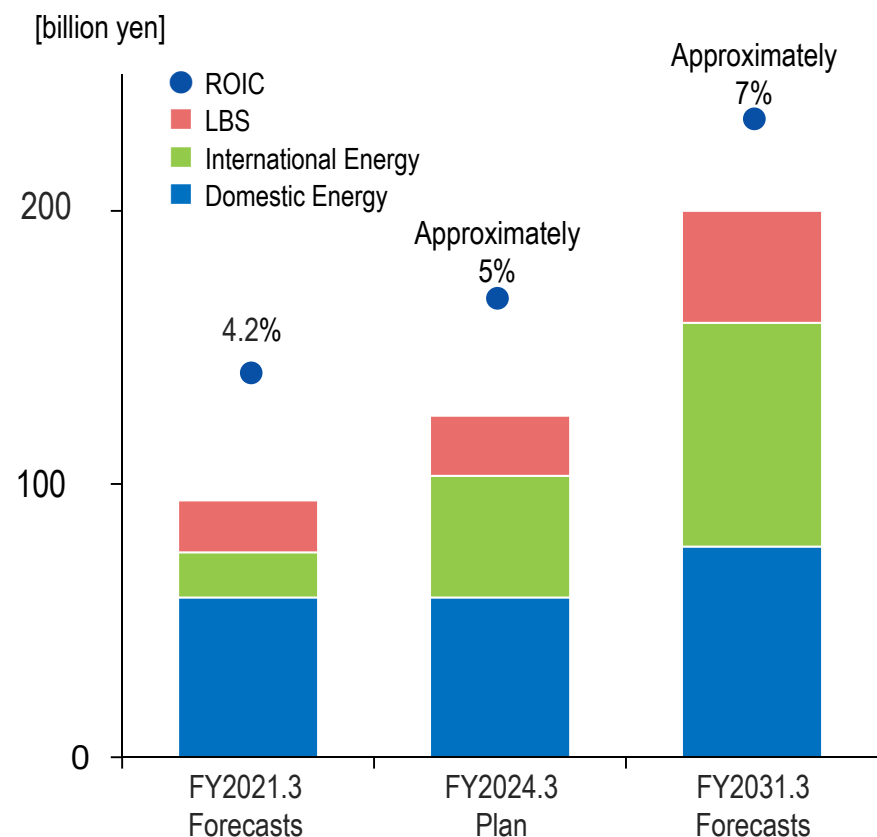
		FY2021.3 Forecasts	FY2024.3 Plan
Profitability indicators	ROIC (Reference) ROE	4.2% (7.0%)	Approximately 5% (Approximately 7.5%)
Shareholder returns	Payout ratio	30.5%	30% or higher*1
Financial soundness indicators	D/E ratio*2	0.65	Approximately 0.7
	Shareholders' equity ratio*2	50.1%	Around 50%

\*1 Excluding short-time fluctuation factors that affect profits

\*2 Calculated with 50% of issued hybrid bonds as equity

\*3 Excluding temporary impact on domestic energy business.  
(Time-lag effect of Gas Business and Electricity Business)

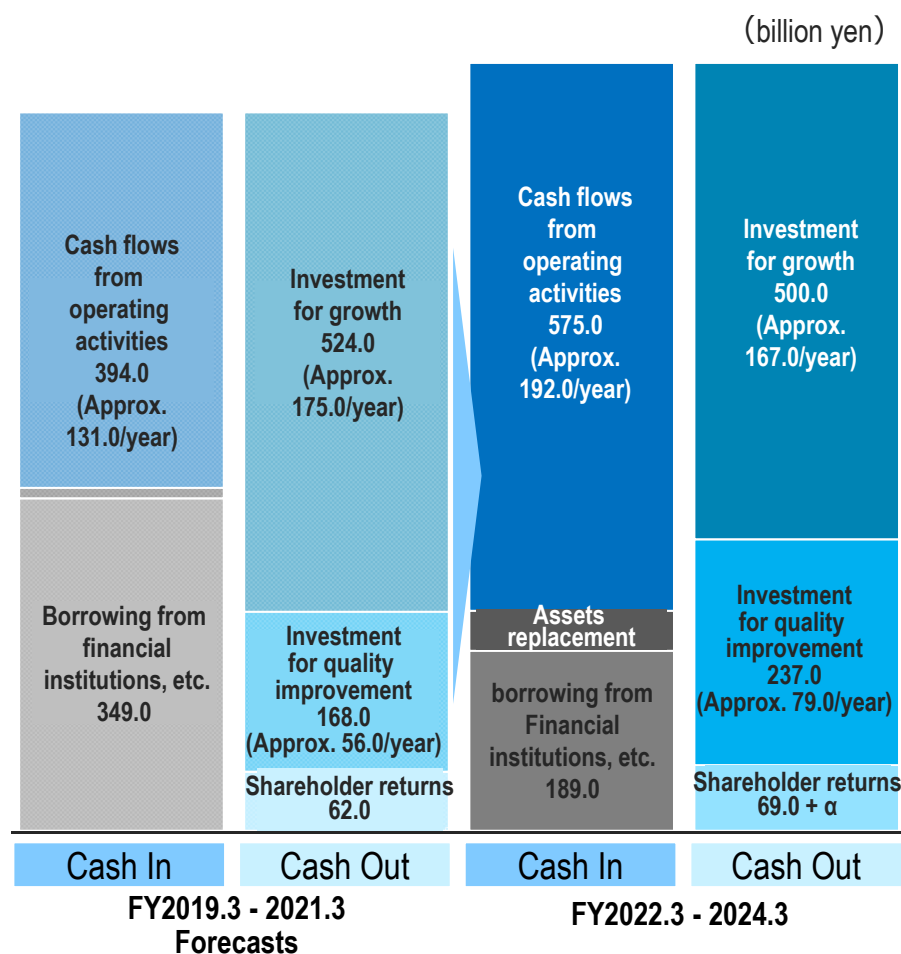
**Forecasts for ordinary profit by segment\*3**



## Management Indicators of Medium-Term Management Plan 2023

We aim to achieve proper capital allocation to secure sufficient funds for investment and shareholder returns while minimizing external borrowing by enhancing our capabilities to increase cash flows from operational activities as well as replacing our assets.

### Cash flows in this Medium-Term Management Plan



#### Cash In

Maintain financial soundness by reducing borrowing from financial institutions through asset replacement and growth of cash flows from operating activities.

(Increasing cash flows from operating activities by 50% from the previous period)

#### Cash Out

Implement strategic and selective investment for business growth in light of investment efficiency.

- Decarbonization area (Renewable energy in domestic and overseas, etc.)
- Areas where steady earnings contribution is expected (Business in North America, power source development, LBS business, etc.)
- New growth areas where strengths can be utilized, such as Asia

【Breakdown of investment for growth】 (billion yen)

FY2019.3 - 2021.3 Forecasts	Domestic Energy 158.3	International Energy 250.3	LBS 115.6	524.0
FY2022.3 - 2024.3	174.0	168.0	158.0	500.0

As for investment for quality improvement, we intend to increase investment in decarbonization, DX, and resilience enhancement.

We strive to distribute shareholder returns depending on our profit growth and in accordance with the Shareholder Return Policy\*.

\*Maintain stable dividends, a consolidated dividend payout ratio of 30% or higher

## Acceleration of ESG Management

We act in accordance with the Daigas Group Charter of Business Conduct\* in making contribution to achieving a sustainable society.

\*A revision of the Daigas Group CSR Charter, effective April 2021.

Charter of Business Conduct		Value for a sustainable future	Initiatives to create value for a sustainable future	Indicators	Goals	Fiscal Year to be achieved
I	Creating value for customers	Establishing lifestyles and businesses adjusted to the new normal	Maintain and expand customer base	Number of customer accounts	10 million or more	FY2031.3
			Enhance customer relationship management	Customer satisfaction rate	90%	FY2024.3
		Enhancing resilience of customers and society	Maintain safety and quality levels	Number of serious accidents	Zero serious accidents	FY2031.3
			Strengthen resilience of energy supply	Build a resilient energy supply facilities	Implementation of measures for disaster prevention and aging pipes	FY2031.3
II	Contributing to the sustainability of the environment and society	Achieving a low carbon/carbon neutral society	Implement carbon neutral measures	CO <sub>2</sub> emissions of Daigas group	Net zero emissions	FY2051.3
			Provide clean energy and expand renewable energy value chain	Percentage of renewables in our power generation portfolio in Japan	Nearly 50%	FY2031.3
				Contribution to developing renewables capacity on a global basis	5 GW	FY2031.3
					2.5GW	FY2024.3
		Promote advanced utilization of natural gas and environmental products	CO <sub>2</sub> emissions reduction contribution (compared to FY2017.3)	10 million t	FY2031.3	
III	Engaging with and contributing to society	Building foundations that support the realization of value for a sustainable future	Promote communication with local communities	Number of our participations in local governments' activities (i.e. community development planning)	14 cases	FY2024.3
				Number of joint efforts with local communities	170 times	FY2024.3
IV	Respecting human rights		Build a responsible supply chain	Appropriate new supplier ratio	100%	FY2024.3
V	Complying with laws and regulations		Promote the Group's compliance	Number of serious violations of laws and regulations	Zero serious violations	FY2024.3
VI	Providing work environment that supports employees' personal growth		Create a workplace where employees can feel a sense of fulfillment	Attitude survey (Royalty Score)	Maintained and improved employee engagement	FY2031.3
				Annual average hours of training per employee	Implementation of human resource development and work environment improvement	FY2031.3
		Promote diversity and inclusion	Percentage of women in1. executives, 2. members newly promoted to the middle management positions, and 3. new recruits for career-track positions	1. 20% or more 2. 30% or more 3. 30% or more	FY2031.3	

## Management Indicators for FY2022.3

(billion yen)	FY2021.3 Forecasts	FY2022.3 Plan	Rate of change
Net sales	1,330.0	1,405.0	+5.6%
Operating profit	88.5	80.5	-9.0%
Ordinary profit	100.0	95.0	-5.0%
Profit attributable to owners of parent	71.5	70.5	-1.4%
EBITDA	200.0	200.0	±0%
ROIC	-	4.4%	-
ROE	7.0%	6.6%	-
Dividend forecast	52.5 yen/share	55.0 yen/share	-
The time-lag effect (Gas)	+4.2	-9.8	-
The time-lag effect (Electricity)	+1.7	-2.1	-
Ordinary profit excluding time-lag effect	94.1	106.9	-

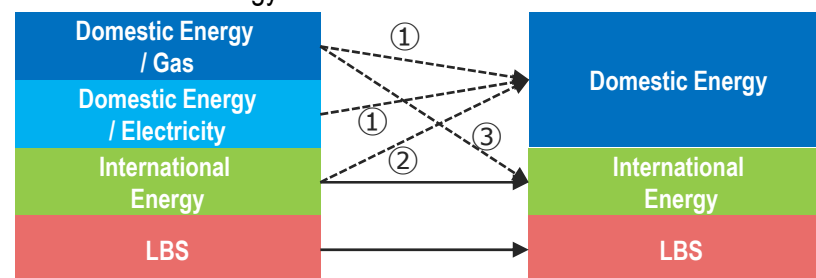
<FY2022.3 financial plan is based on the following assumptions.> (FY2021.3 Forecasts)

Crude oil price (all-Japan CIF price)	60.0 USD/bbl (41.3 USD/bbl)	Exchange rate	105.0 JPY/USD (105.8 JPY/USD)
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(billion yen)	Segment Profit		
	FY2021.3 Forecasts	FY2022.3 Plan	Rate of change
Domestic Energy (Electricity)	68.0 (15.0)	45.5 (15.0)	-33.1%
International Energy	16.5	31.0	+87.9%
LBS	19.0	19.0	±0%

### <Key changes>

- ① “Domestic Energy / Gas” and “Domestic Energy / Electricity” will be integrated into the “Domestic Energy”
- ② OGIT\* and its subsidiaries, which are included in the “International Energy,” will be integrated into “Domestic Energy” because of their all-in-one operation including energy sales, supply and demand management.
- ③ Osaka Gas’ operating expenses for International Energy, which is included in “Domestic Energy / Gas,” will be integrated into “International Energy”.



\*Osaka Gas International Transport Inc.

## Management Indicators for FY2022.3

(billion yen)	FY2021.3 Forecasts	FY2022.3 Plan
Investment for quality improvement	66.0	69.0
Investment for growth	190.0	190.0
Domestic Energy	85.0	70.0
International Energy	50.0	64.0
LBS	55.0	56.0
Total investment	256.0	259.0

Capital expenditures (included in the total)	203.0	196.0
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	FY2021.3 Forecasts	FY2022.3 Plan
Shareholders' equity ratio*	50.1%	49.3%
D/E ratio*	0.65	0.66

\*Calculated with 50% of issued hybrid bonds as equity

(million m <sup>3</sup> )	FY2021.3 Forecasts	FY2022.3 Plan	Rate of change
Gas sales volume (Non-consolidated)	6,917	6,956	+0.6%
Residential	1,817	1,695	-6.7%
Non -residential	5,100	5,261	+3.2%
Gas sales volume (Consolidated)	6,953	6,987	+0.5%

(GWh)	FY2021.3 Forecasts	FY2022.3 Plan	Rate of change
Electricity sales volume	16,567	18,024	+8.8%

Sensitivity to fluctuations in crude oil prices and exchange rates to consolidated ordinary profit

Crude oil price +1 USD/bbl	-0.66 billion yen
Exchange rate +1 JPY/USD (depreciation of the yen)	-0.46 billion yen

**Disclaimer**

Certain statements contained herein are forward-looking statements, strategies, and plans, which reflect our judgment based on the information so far available. Actual results may differ materially from those discussed in such statements. Among the factors that could cause actual results to differ materially are: economic trends in Japan, sharp fluctuations in exchange rates and crude oil prices, and extraordinary weather conditions.