Daigas Group Business Plan for FY2026.3

March 13, 2025

Osaka Gas Co., Ltd.

Securities code	9532

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Introduction

- The Daigas Group's Medium-Term Management Plan 2026: Connecting Ambitious Dreams, announced in March 2024
- Address current changes and implement measures to resolve future social issues through our key strategy: the Three Commitments, with the aspiration to secure peace of mind today, build sustainable lifestyles for tomorrow, all aimed at achieving a carbon-neutral (CN) society by 2050



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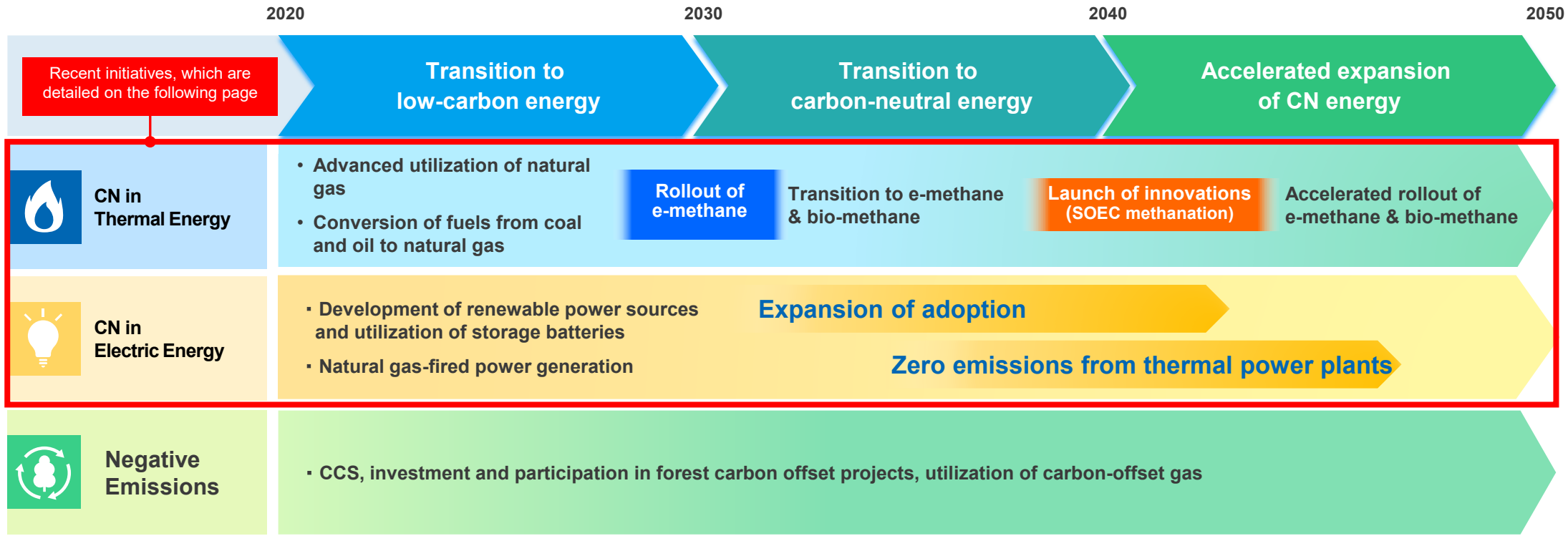
Energy Transition 2050 Announced on February 27, 2025

- The Daigas Group's Energy Transition 2050, a roadmap for the energy transition toward 2050, announced after the Cabinet's decision on the 7th Strategic Energy Plan on February 18
- Strive to achieve carbon neutrality (CN) and negative emissions of thermal energy and electricity we supply while delivering solutions in each business field where we co-create value for a sustainable future with our customers
- Aim to reduce our own CO_2 emissions as well as the overall CO_2 emissions within society, through these initiatives



Source: Energy Transition 2050 (partially referenced and modified)

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Co-create Value for A Sustainable Future: Carbon-Neutral (CN) Energy

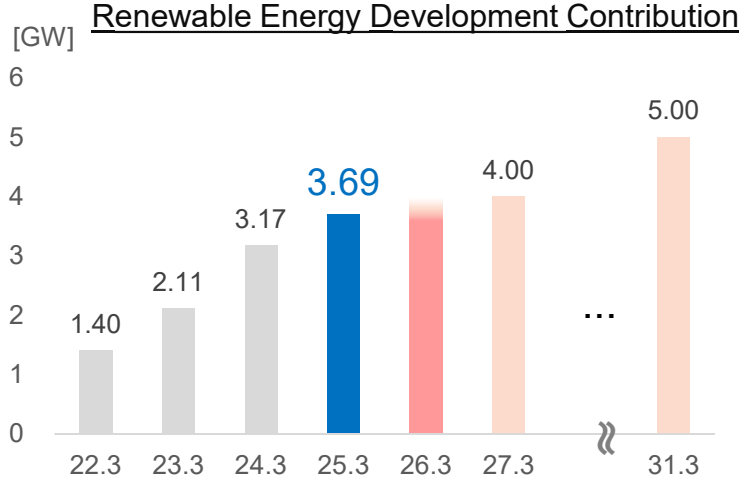
- CN gas: Implement domestic methanation demonstration and conduct studies on international projects, which are progressing smoothly
- CN power: Aim for renewable energy development contributions of 5 GW by FY2031.3 through the development and procurement of renewable energy, with our FY2025.3 contributions reaching 3.69 GW

	FY2025.3 Forecast	FY2026.3 Plan
CN gas	• Complete lab-scale testing equipment and initiation of testing for SOEC methanation technology (Green Innovation Fund Project) • Complete detailed studies on the U.S. e-methane project, anticipated to support our 2030 target of achieving 1% e-methane in the gas grid	• Initiate bench-scale testing for SOEC methanation technology • Complete the construction of a large-scale Sabatier methanation demonstration facility in Nagaoka (produce e-methane in an amount equivalent to that needed for 10,000 households) • Conduct an e-methane demonstration at the Expo 2025 Osaka, Kansai site (produce e-methane in an amount equivalent to that needed for 170 households) • Develop basic designs for e-methane projects in the U.S.
CN power	• Achieve 3.69 GW of renewable energy development contributions • Commence operations at the Hyuga Biomass Power Plant and the Aichi Tahara Biomass Power Plant • Advance renewable energy initiatives through the establishment of investment funds (for domestic pension funds, etc.)	• Commence operations at the Sodegaura Biomass Power Plant and the Wakayama Gobo Biomass Power Plant • Expand renewables development using corporate PPA[1]

1 Corporate Power Purchase Agreement (long-term renewable energy supply contract)


SOEC methanation bench-scale testing facility (scheduled to open in June 2025)

Renewable Energy Development Contribution



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Support Employees to Shine in Their Roles & Evolve the Business Foundation (Business Transformation through DX)

- Promote autonomous career development, update the personnel system, and enhance initiatives that help employees overcome challenges and achieve personal growth, as part of our efforts to support employees to shine in their roles
- Steadily increase and develop our DX human resources while fostering cross-organizational business reform and the introduction of new services, all aimed at evolving our business foundation

Support employees to shine in their roles	**FY2025.3 Forecast**	• Broaden recruitment strategies, including attracting early career changers • Enhance support for autonomous career development, such as in-house internship and an in-house side job programs • Develop and publicly share human capital reports that outline our human resources strategies and initiatives
	FY2026.3 Plan	• Provide support for employees in overcoming challenges and achieving personal growth by updating our personnel system, which includes extending the retirement age and providing timely evaluation of contributions to business performance enhancement
Evolve the business foundation	**FY2025.3 Forecast**	• Advance business transformation through DX for the residential sector: Formulate a roadmap for system reform to realize one-on-one communications with customers, enhance sales capabilities by developing a comprehensive database of sales knowledge • Expand the core personnel responsible for leading project management and system developmeent related to digital utilization to a total of 243, an increase of 63 from the previous year
	FY2026.3 Plan	• Broaden business transformation initiatives through DX across the commercial, industrial, and network sectors • Enhance customer experience and convenience by launching a unified ID system for home digital services and strengthening collaboration between applications, including My Osaka Gas • Optimize power storage plant operations: Formulate logic that responds to market dynamics while maximizing profits, with the aim of developing and operating effective systems

Number of Hires (including those of core group companies and OGNW)

[Unit: People]

Fiscal year	22.3	23.3	24.3	25.3	26.3
New graduates	137	145	149	168	170
Mid-career hires	92	166	168	180	194
Total	229	311	317	348	364

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Reference: Overview of Daigas Group's Businesses

- 120 years of domestic and international business expansion as of 2025, responding to changing times, leveraging the Kansai region gas business as a foundation, with a renewed commitment to continued growth through future opportunities
- Enter the second year of our Medium-Term Management Plan 2026 in FY2026.3, with each business segment pursuing medium-term growth strategies through enhanced organizational collaboration



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Domestic Energy Segment: Residential, Commercial, and Industrial Sectors

- Enhance residential services, promote fuel conversion, and strengthen sales of energy services to increase and sustain sales volume and customer accounts

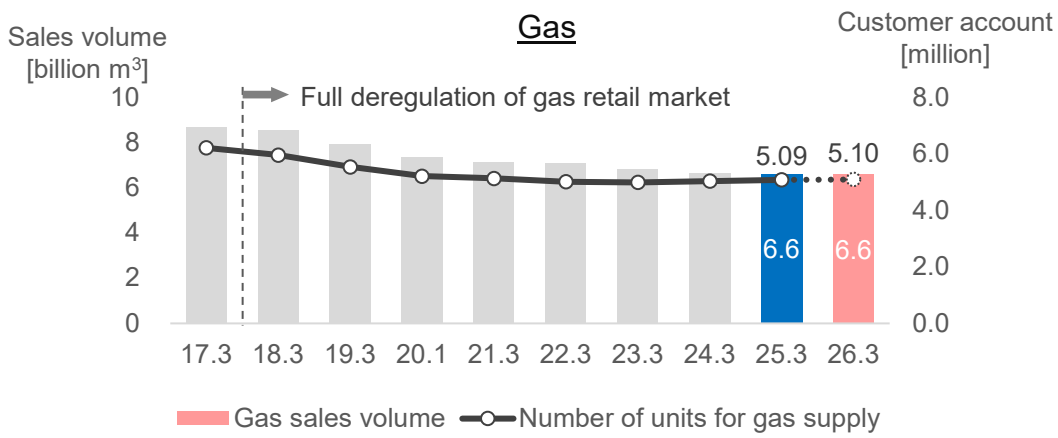
Residential sector

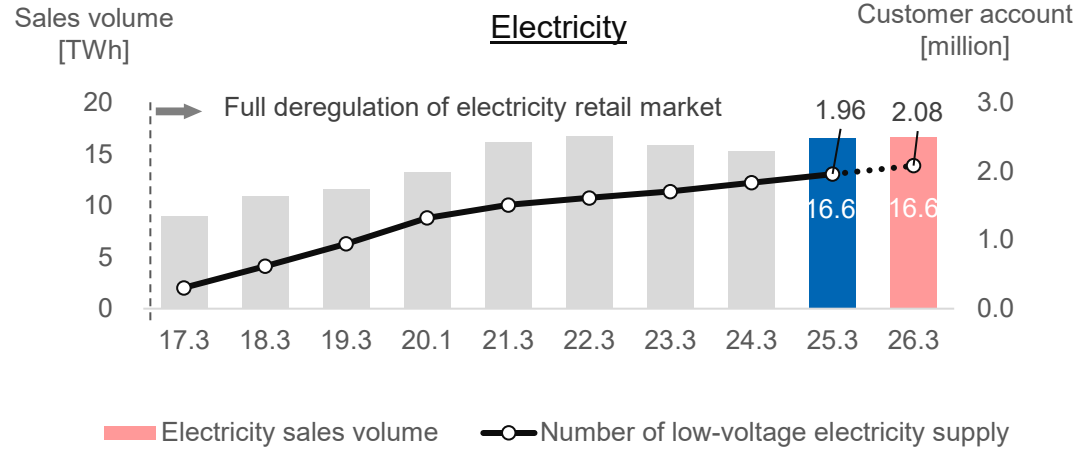
FY2025.3 Forecast	• Exceed 200,000 units in ENE-FARM sales • Collaborate with partners in responding to the growing popularity of EVs, launch new tariffs for the owners of storage batteries and EVs
FY2026.3 Plan	• Expand residential services and strengthen nationwide sales of Sumai Roof, solar PV power generation services

Commerical and Industrial sectors

FY2025.3 Forecast	• Fuel conversion to natural gas: Secure construction orders for large-scale (approx.60,000 tons/year) consumption • Launch D-Remove, a service to reduce CO_2 emissions during the deodorization process
FY2026.3 Plan	• Increase sales of D-Lineup, energy services, including D-Green, a renewable power service

Sales Volume and Customer Accounts (Domestic Energy segment on a consolidated basis)





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Expansion of Services

- Develop diverse service options in response to advancements in CN and digitalization to continue supporting customers' comfortable lifestyles and business development

Aim to achieve 10.9 million customer accounts as early as possible during the current medium-term period

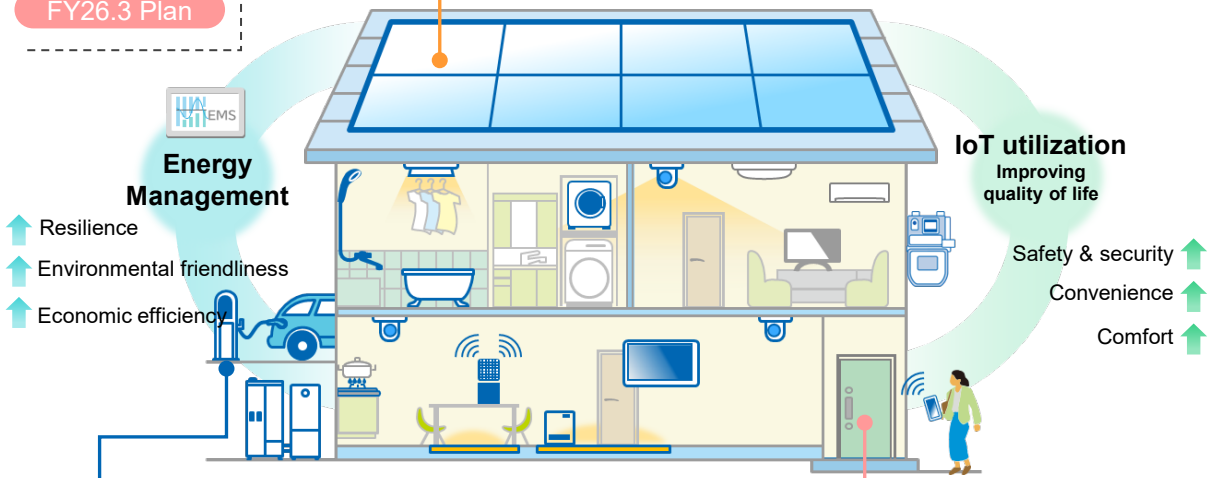
Residential sector

Provide next-generation smart lifestyles by expanding residential services and leveraging energy management and IoT technologies

FY25.3 Forecast

FY26.3 Plan

Strengthen nationwide sales of Sumai Roof, a solar PV power generation service



- Establish new tariffs for the owners of storage batteries and EVs
- Conduct energy management demonstration in collaboration with partners

Expand Sumikata service, a residential service

Commercial and industrial sectors

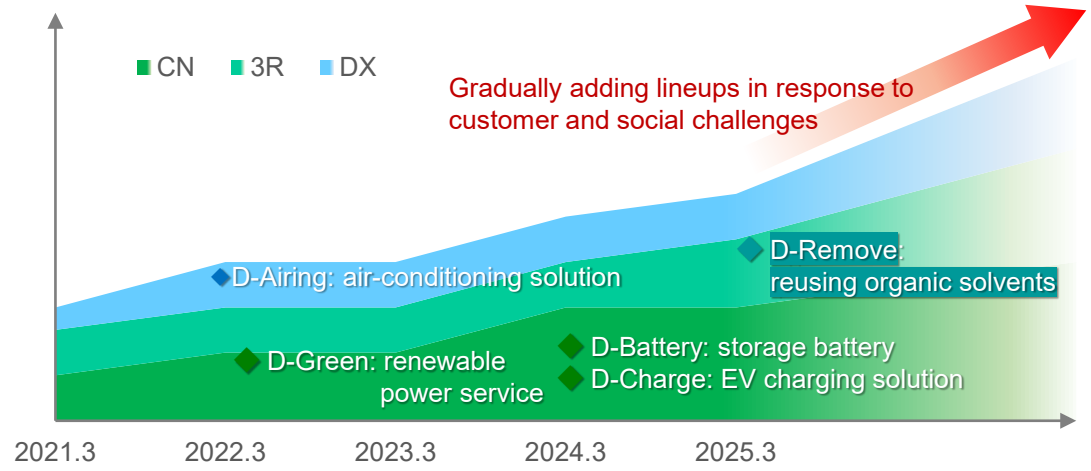
Develop diverse D-Lineup solutions that contribute to customers' enhanced corporate value

CN × 3R[1] × DX

Based on the above, propose value-oriented D-Lineup solutions that address management challenges

1 :Reduce, Reuse, and Recycle

Number of D-Lineup Products



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Domestic Energy Business: Electricity

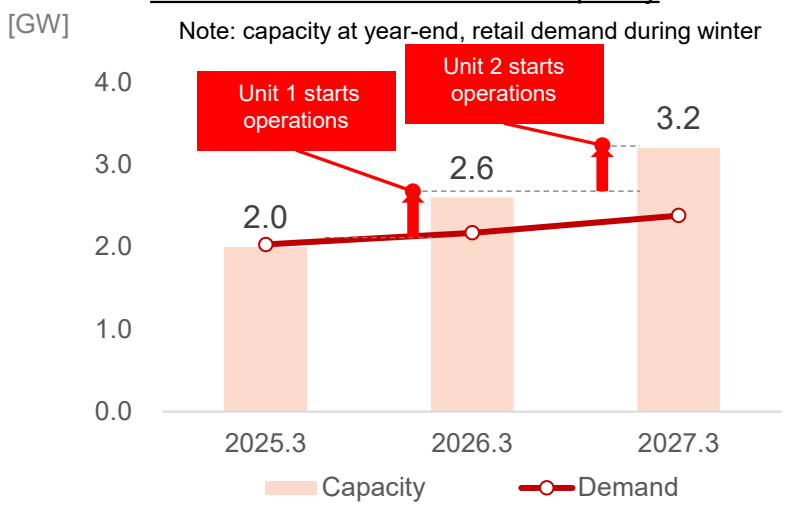
- Commence operations at the Himeji Power Plant and biomass power plants to increase domestic thermal power generation capacity from 2 GW to 3.2 GW[1] and expand the scale of our power business

1 Includes the Himeji Power Plant Unit 2, which is scheduled to begin operations in May 2026

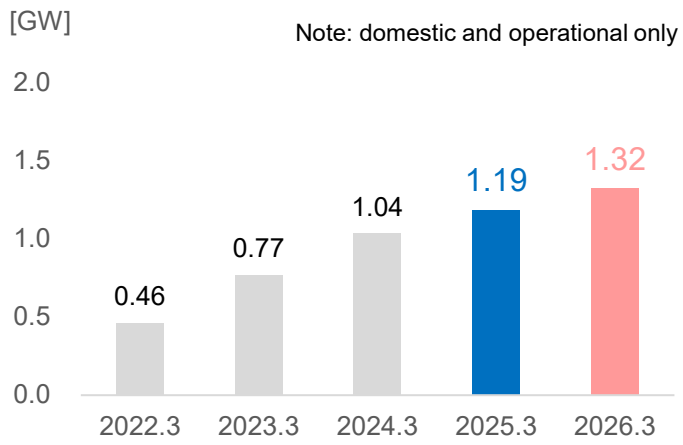
Electricity business: power generation, renewables

2025.3 Forecast	• Succeed in the auction for a long-term decarbonisation power supply with the Himeji Power Plant Unit 3 (0.6 GW) • Commence operations at the Hyuga Biomass Power Plant (50 MW) and the Aichi Tahara Biomass Power Plant (75 MW)
2026.3 Plan	• Commence operations at the Himeji Power Plant Unit 1 (0.6 GW) in January 2026 (Unit 2 (0.6 GW) is scheduled to begin operations in May 2026) the Sodegaura Biomass Power Plant (75 MW) and the Wakayama Gobo Biomass Power Plant (75 MW) the Senri Power Storage Plant (11 MW) and the Takeo Power Storage Plant (2 MW)

Demand & Thermal Power Capacity



Owned Renewable Capacity




Himeji Power Plant Units 1 and 2 (under construction)

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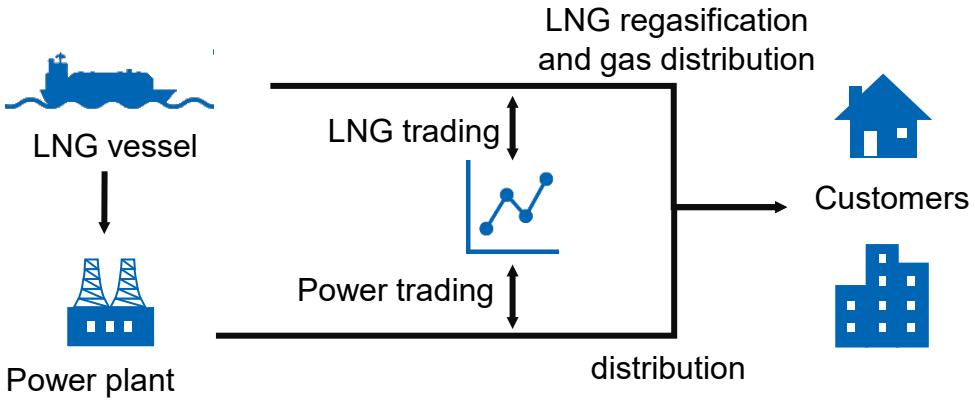
Leveraging LNG and Electricity Markets

- Leverage the growing LNG and electricity markets to enhance the stability and optimization of our energy value chain
- Promote the introduction of storage batteries by harnessing our Group's collective strengths, aiming to become a leading player in the storage battery industry

Leveraging LNG & electricity markets along the value chain

- Achieve optimal-cost procurement and stable supplies of gas and power by flexibly operating LNG regasification facilities and power plants while trading gas and power in response to fluctuations in supply-demand balance and market conditions

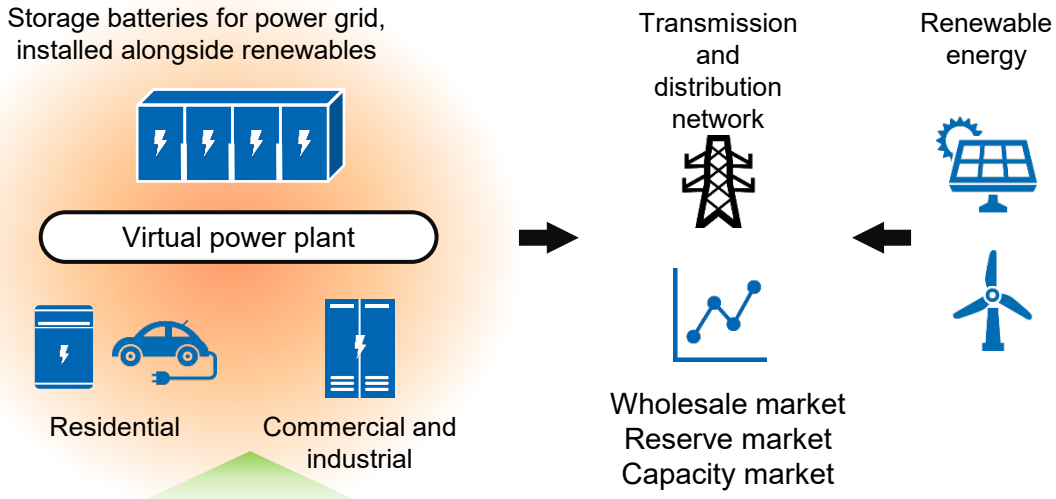


Our operations in response to market prices

Market price		Our response		
Power	LNG	Power generation	Power Trading	LNG Trading
Low	High	Decrease	Buy	Sell
High	Low	Increase	Sell	Buy

Expanding operations in the storage battery sector

- Promote the introduction of storage batteries through product marketing, installation of power storage plants, and technological development
- Integrate storage batteries into virtual power plants to optimize operations by leveraging the market, resolve power shortages, and maintain system stability



KRI, Inc., a wholly-owned subsidiary of Osaka Gas

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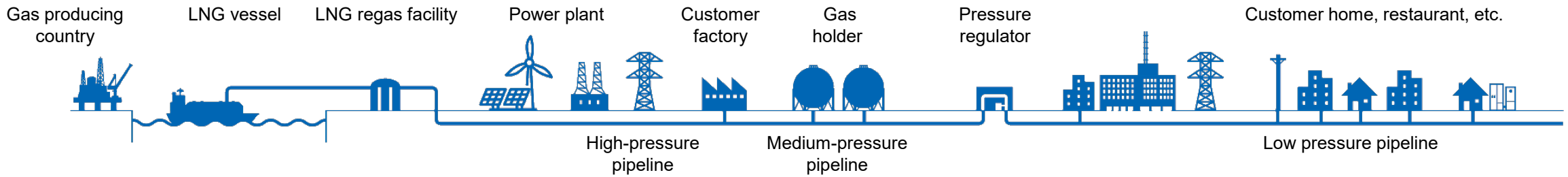
Domestic Energy Segment: LNG Trading, LNG Regas Terminal, Engineering, and Gas Network

- Achieve stability and optimization in LNG procurement by leveraging our expertise in LNG trading and transportation while enhancing collaboration along the value chain
- Ensure consistent progress in the construction for LNG bunkering facilities and the Himeji Power Plant while implementing measures against disasters and mitigating issues related to aging pipelines to maintain safe and reliable energy supply

Enhancing energy supply chain resilience



LNG Procurement &Trading

FY2025.3 Forecast	• Execute an LNG sale & purchase contract with ADNOC Co., Ltd. in Abu Dhabi, to enhance the diversity of our LNG sources
FY2026.3 Plan	• Collaborate with power business to expand energy value chain • Achieve stability and optimization in LNG procurement and sales by leveraging our expertise in LNG trading

LNG Regasification & Engineering

FY2025.3 Forecast	• Complete construction for LNG shore-to-ship bunkering facilities
FY2026.3 Plan	• Complete the renovation of the Himeji LNG regas facilities to commence operations at the Himeji Power Plant

Gas Network

FY2025.3 Forecast	• Complete construction needed to address issues related to gray cast iron pipes, fulfilling the objective of the advanced gas safety plan
FY2026.3 Plan	• Initiate operations that utilize the communication features of smart meters, including remote meter reading and emergency gas flow shutoff and restart capabilities

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Initiatives for Safety and Security in Gas Network Business

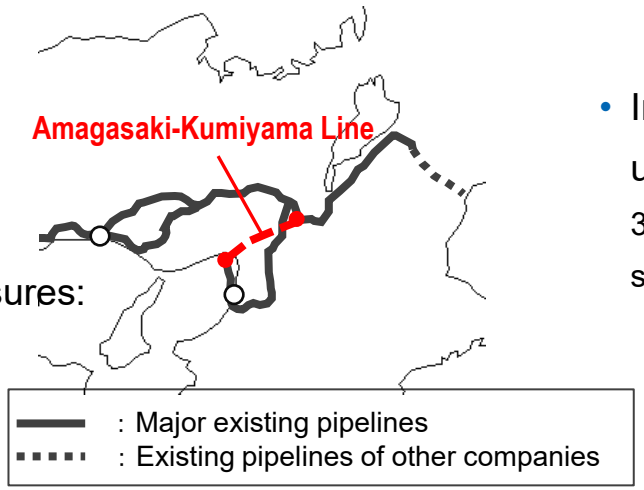
- Upgrade facilities to ensure the stable delivery of gas to customers
- Leverage DX to enhance safety measures and boost productivity

Developing a robust gas pipeline network

- Ensure the installation of earthquake-resistant pipelines:
  Replace existing pipelines with polyethylene pipes and other materials that offer superior earthquake resistance

	Great Hanshin-Awaji Earthquake (1995)	FY2026.3
Extension of polyethylene pipe	Approx. 1,200km	Approx. 19,000km

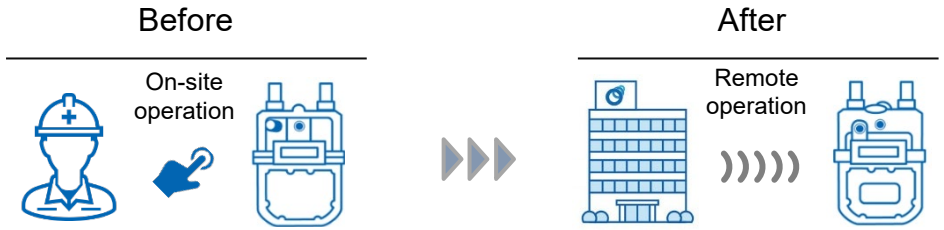
- Improve supply stability:
  High-pressure trunk lines
  Advance construction, especially the Amagasaki-Kumiyama Line
  (Scheduled to complete in FY2029.3)



- Implement disaster prevention measures:
  Upgrade pressure regulators to prevent damages from flooding during typhoons and heavy rains
  Commence operations at new disaster prevention facilities designed with high earthquake resistance

Leveraging DX to enhance safety measures and boost productivity

- Initiate operatrions that utilize the communication features of smart meters:
  Leverage remote controling capabilities, such as emergency gas shutoff and restart and monthly meter reading, to ensure safe and streamlined operations



- Initiate the automatic generation of pipe construction drawings using 3D imaging technology:
  3D drawings are automatically created from images captured using a smartphone, contributing to reducing the drawing time

Left: Generated 3D model data
(Can be used for construction drawings)
Right: Acutal installed piping
(Recognize required information when taking photographs)



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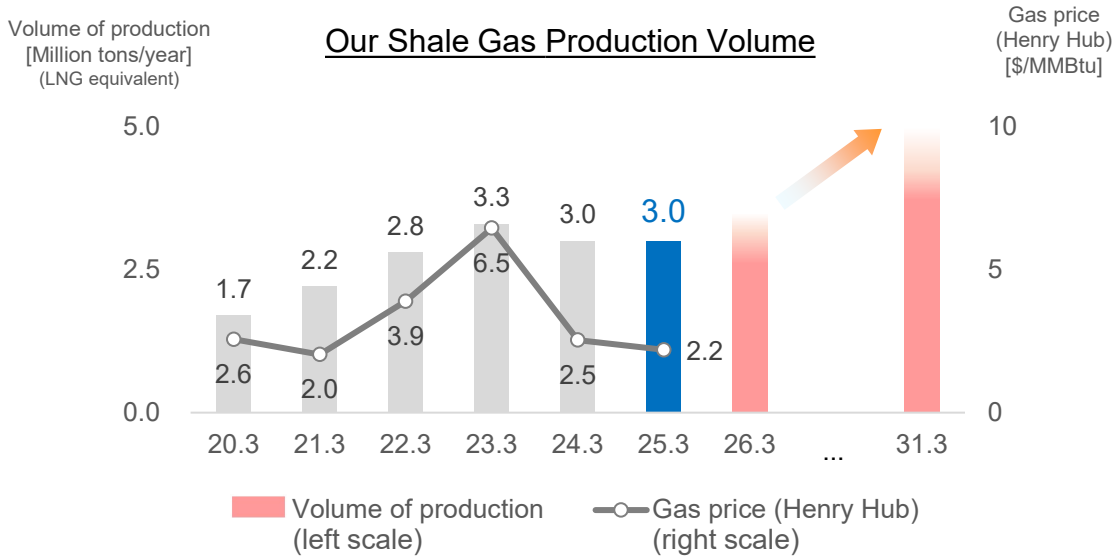
International Energy Segment: Upstream Business in U.S.

- Acquire additional acreage and advance development to expand production in the medium to long term, while hedging prices to ensure a stable income stream

Expanding shale gas operations at the Sabine project in Texas, U.S.

FY2025.3 Forecast	• Acquire additional acreage to support further business growth (Total area is expected to reach approx. 1,200 km^2, 1.2 times the size at the time of the 100% acquisition of the business) • Ensure a stable income flow through production control, price hedging, and the expansion of sales channel, even in a low gas price environment
FY2026.3 Plan	• Acquire addtional acreage and advance development to expand production in the medium to long term while closely monitoring gas prices





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International Energy Segment: Gas Distribution Business in Asia

- Install gas distribution infrastructure and expand gas sales by leveraging the experience and strengths cultivated in the domestic gas business.
- Develop this business into our core operation in Asia and contribute to energy supply stability and the carbon emissions reduction in India

Developing infrastructure and increasing gas sales in India

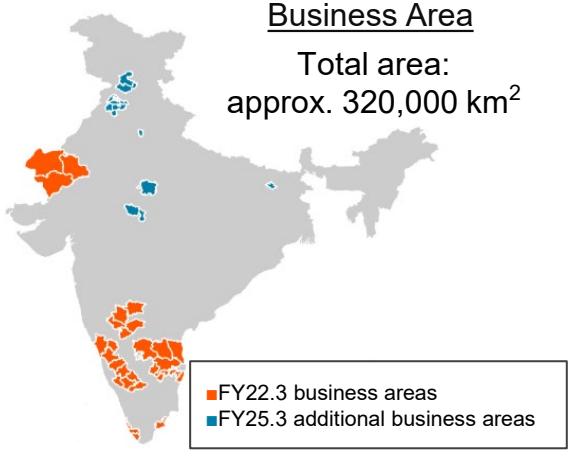
FY2025.3 Forecast	• Expand the business area from approx. 270,000 km^2 to approx. 320,000 km^2 (equivalent to approx. 90% of the Japanese land) through additional investment • Extend the gas pipelines to a total of 10,000 km (equivalent to one-sixth of our domestic pipeline network) and increase the annual gas sales volume to 370 million m^3
FY2026.3 Plan	• Aim to achieve an annual sales volume of 540 million m^3. Focus on developing a medium- to long-term earnings strategy that targets an annual sales volume of approx. 3.5 billion m^3 for FY2031.3, which is equivalent to half of the domestic gas sales volume.

Annual Gas Sales Volume (m^3)

FY2024.3 Result	FY2025.3 Result	FY2026.3 Plan	…	FY2031.3 Plan
150 million	370 million	540 million	…	Approx. 3.5 billion

Business Area

Total area: approx. 320,000 km^2




A line of CNG vehicles at a CNG station in India

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Life & Business Solutions Segment

- Accelerate growth by leveraging the synergies between Daigas Group and tap into the unique strengths that each company has cultivated, such as an asset-light approach to the real estate business and the provision of high-value-added systems and high-performance materials

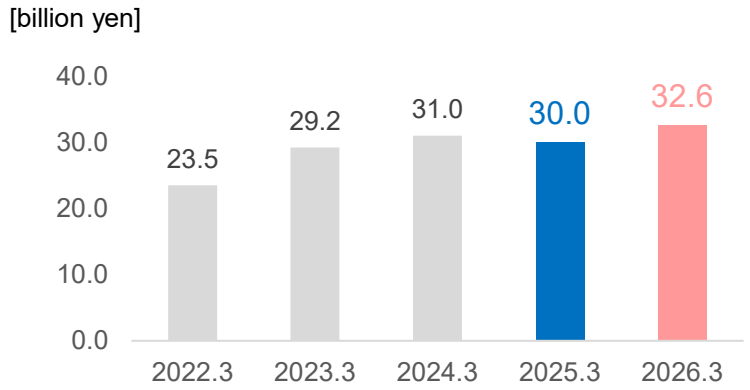
Real estate property development

FY2025.3 Forecast	• Achieve excellence in our core business of property leasing and sales • Execute a strategic sales plan for private REITs
FY2026.3 Plan	• Further strive for capital efficiency in business management while expaninding into the office sector in the Greater Tokyo area and the logistics sector

Group Synergy: Having access to land information sourced throught our sales network and ability to present a bundled offering of energy products



Life & Business Solutions Segment Profit



Information technology

FY2025.3 Forecast	• Initiate the expansion of our ERP business in Southeast Asia by acquiring Fasttrack Solutions Inc. group
FY2026.3 Plan	• Seize DX opportunities both within and outside the Group while expanding business in ERP and AI fields

Group Synergy: Collaboration in DX Promotion Activities

Chemical materials

FY2025.3 Forecast	• Leverage the market recovery to optimize profits from semiconductor-related and inorganic materials
FY2026.3 Plan	• Sustain and expand existing businesses while pursuing expansion in growth fields through product diversification





Group Synergy: Development of high-performance materials through collaboration in R&D, such as joint research initiatives and talent rotation programs

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Technological Development and New Businesses

- Create new value by leveraging the Group's extensive technological expertise combined with the strengths of our collaboration partners through a new R&D center set to launch in FY2026.3

Pursuing co-creation at the new R&D center

- Advance CN-related technologies, conduct R&D in other fields, facilitate information sharing, and foster co-creation with external parties at a new R&D center set to open in the summer of 2025



Daigas Group's strengths





Developing technologies to create and advance businesses

- Initiate lab testing of DAC[1] technology utilizing our proprietary CO_2 adsorbents, as part of technology development aimed at achieving CN beyond methanation
- Integrate our group's foundational technology into B2B services, such as weather forecasting services featuring our simulation technology
- Strengthen PR and sales initiatives for naturally derived ketone bodies (BHB) to drive business development

1 Direct Air Capture, atmospheric CO_2 extraction

Creating new CN-related businesses

- Develop a generative AI-driven assessment system to facilitate the credit certification process, enhancing accuracy through collaboration with partner companies to transform it into a widely adopted business solution
- Collaborate with startups overseas to enhance technology evaluation and drive project development, including Koloma for natural hydrogen and FPR Energy for next-generation concentrated solar power systems

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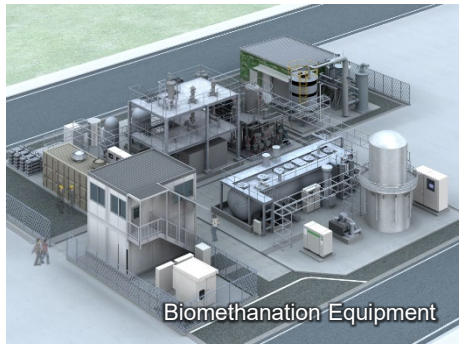
Initiatives for the Expo 2025 Osaka, Kansai

- Leverage our advanced technologies, including those to be showcased in methanation technology demonstration, to embody the theme of the Expo 2025 Osaka, Kansai, "Designing Future Society for Our Lives"

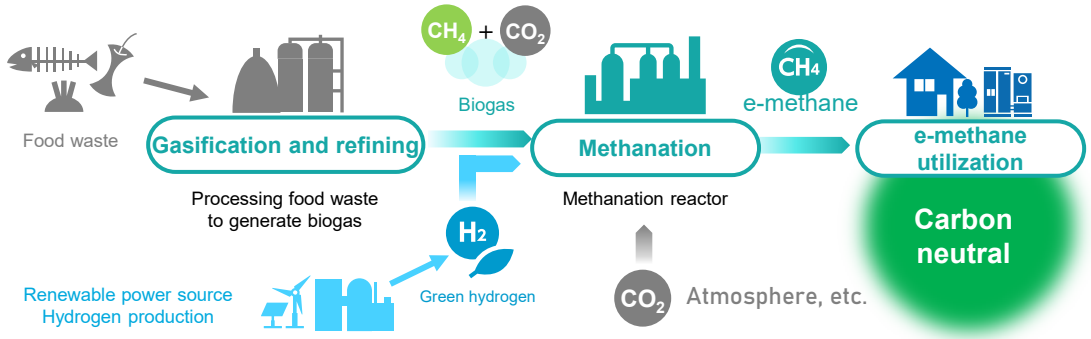
e-methane demonstration

- Produce e-methane (planning to use biogas derived from food waste at the Expo site, carbon dioxide captured from the atmosphere, and green hydrogen generated using renewable energy[1])



1 The Ministry of the Environment's commissioned project: "Demonstration Project for Developing a Model to Supply Low-Cost Hydrogen Using Existing Infrastructure"

- Promote e-methane utilization (planning to provide it for use in gas equipment, such as kitchen stoves in guest houses and CHP units, within the Expo site



CO_2NNEX®

- Develop CO_2NNEX®,[2] a system designed for the transfer and management of clean gas certificates for e-methane[3]
- Utilize CO_2NNEX® to transfer certificates obtained from e-methane and biogas produced nationwide to the natural gas we supply at the Expo site, supporting the Expo's carbon neutrality objectives

2 A registered trademark of Mitsubishi Heavy Industries, Ltd.
3 Certified environmental value of e-methane recognized as an energy source that does not increase atmospheric CO_2 from combustion

SPACECOOL®

- Utilize SPACECOOL ®[4], a radiative cooling material developed by the Daigas Group, for the exterior of the gas pavilion exhibited by the Japan Gas Association.



Courtesy of Japan Gas Association

4 A radiative cooling material that reduces temperatures inside the building below the outside level without using energy by allowing heat to escape into space under direct sunlight

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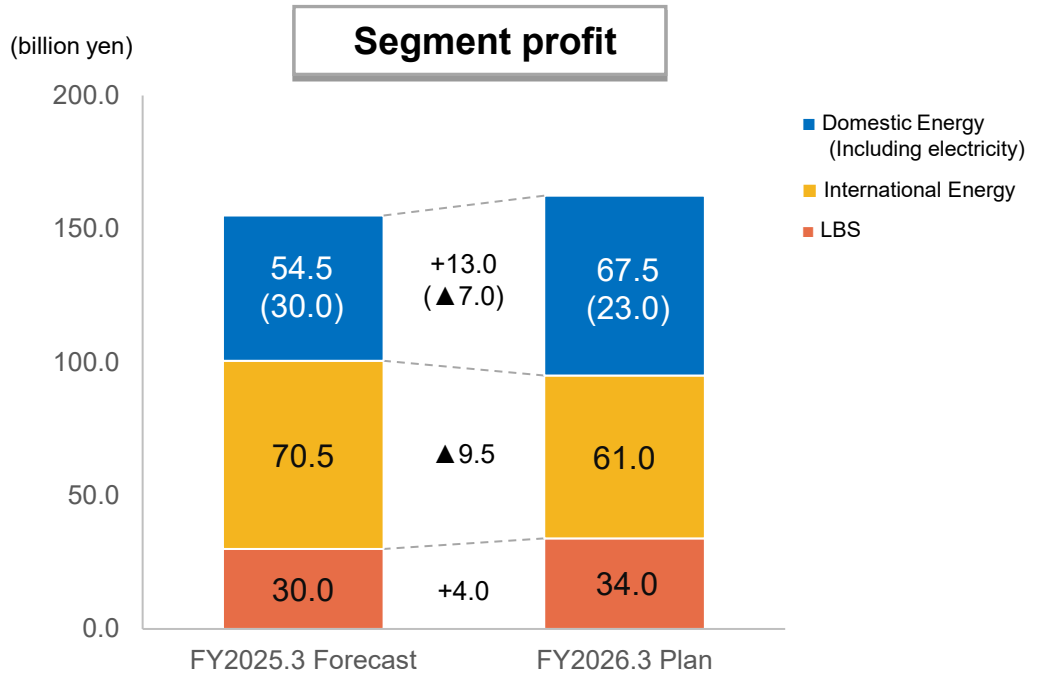
FY2026.3 Management Indicators (1/2)

(billion yen)	FY2025.3 Forecast	FY2026.3 Plan
Net sales	1,986.0	2,040.0
Operating profit	123.5	139.0
Ordinary profit	153.0	165.0
Profit attributable to owners of the parent	112.0	127.0
EBITDA	278.0	300.0
ROIC	4.7%	5.0%
Domestic Energy	2.9%	3.5%
International Energy	7.3%	7.4%
LBS	5.4%	5.5%
ROE	6.9%	7.5%

Time-lag effect (gas)	9.0	5.0
Time-lag effect (electricity)	0.0	1.0
Ordinary profit excluding time-lag effect	144.0	159.0



	FY2025.3 Forecast	FY2026.3 Plan
Dividend forecast	95 yen/share	105 yen/share

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FY2026.3 Management Indicators (2/2)

(billion yen)	FY2025.3 Forecast	FY2026.3 Plan
Investment for quality improvement	94.0	90.0
Investment for growth	206.0	209.0
Domestic Energy	47.0	64.0
International Energy	108.0	95.0
LBS	51.0	50.0
Total investment	300.0	299.0

Capital expenditures (included in the total)	248.0	271.0

Shareholders' equity ratio[1]	54.1%	55.4%
D/E ratio[1]	0.58	0.53

1 Calculated with 50% of issued hybrid bonds as equity

(million m3)	FY2025.3 Forecast	FY2026.3 Plan
Domestic gas sales volume (consolidated)	6,617	6,598
Residential	1,637	1,669
Non-residential	4,980	4,929

(GWh)		
Domestic electricity sales volume (consolidated)	16,580	16,602

Assumptions

Crude oil price (All-Japan CIF price)	81.7 USD/bbl	75.0 USD/bbl
Exchange rate	152.0 JPY/USD	150.0 JPY/USD

Sensitivity of consolidated ordinary profit to fluctuations in crude oil prices and exchange rates (impact after April 2025)

1 USD/bbl increase in crude oil price	-0.85 billion yen
1 JPY/USD increase in exchange rate (depreciation of yen)	-0.62 billion yen

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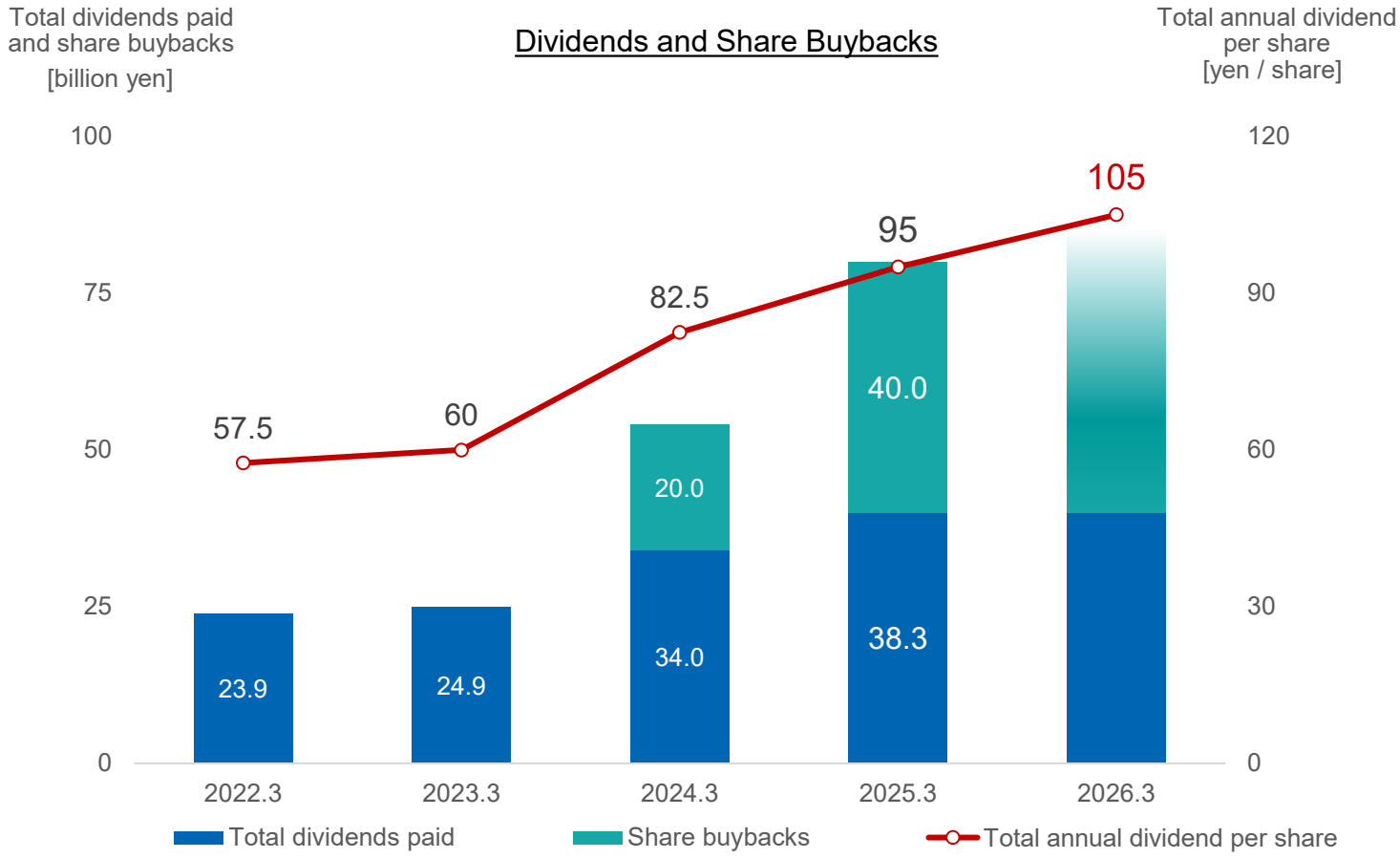
Shareholder returns

- Aim to enhance capital efficiency by maintaining focus on dividends that align with our DOE target of 3.0% and our progressive dividend policy, along with flexible share buybacks
- Annual dividend forecast for FY2026.3: 105 yen per share, a year-on-year increase of 10 yen per share

Shareholder return policy

- **Implement a progressive dividend policy that aims to maintain or increase dividends without reductions**
- **Aim for dividend on equity (DOE[1]) of 3.0%**
- Execute addtional shareholder return measures flexibly



1 Our DOE calculation excludes accumulated other comprehensive income from shareholders' equity as the denominator to eliminate the impact of exchange rate fluctuations and other external factors on DOE.

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The Daigas Group's 120th anniversary

catch copy: **Dynamic Daigas Group**

Dynamic Daigas Group 120th

Daigas Group Corporate Principles

Foundation of business activities (corporate motto)

Service First

What we aim to be

A corporate group that powers continuous advancement in customers' lives and businesses.

Three guiding principles

- **Customer-oriented approach**
- **Wholeheartedness and a sense of mission**
- **Enterprising spirit**

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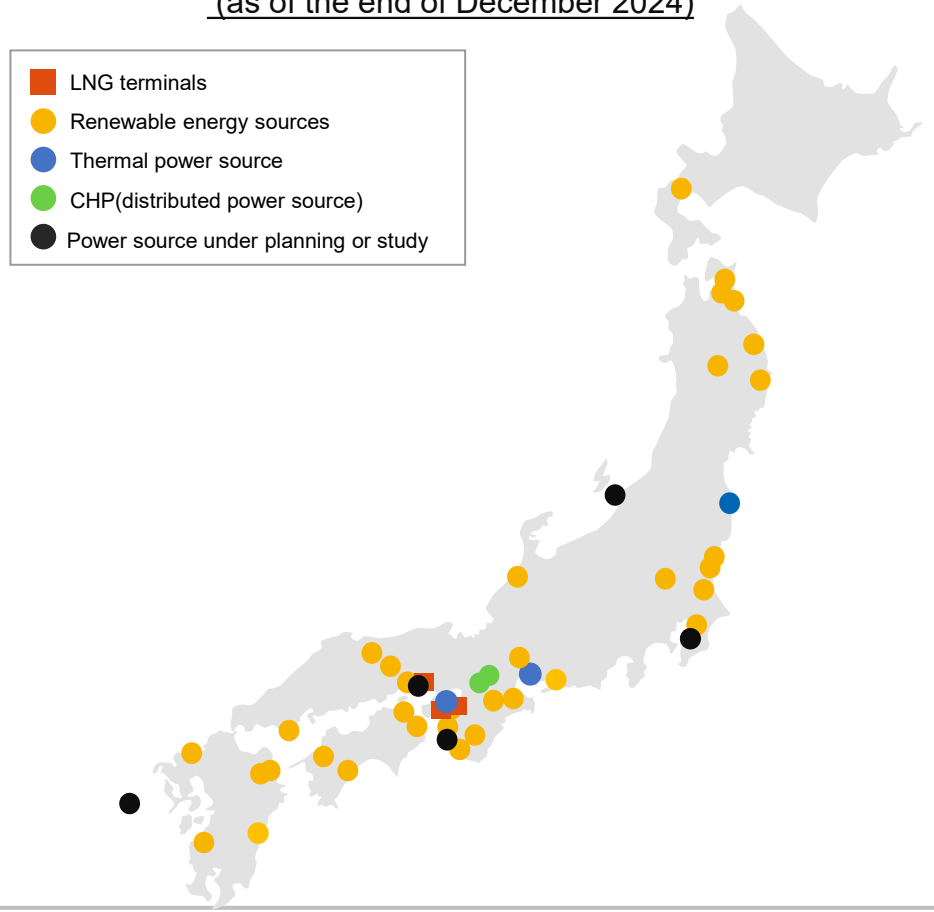
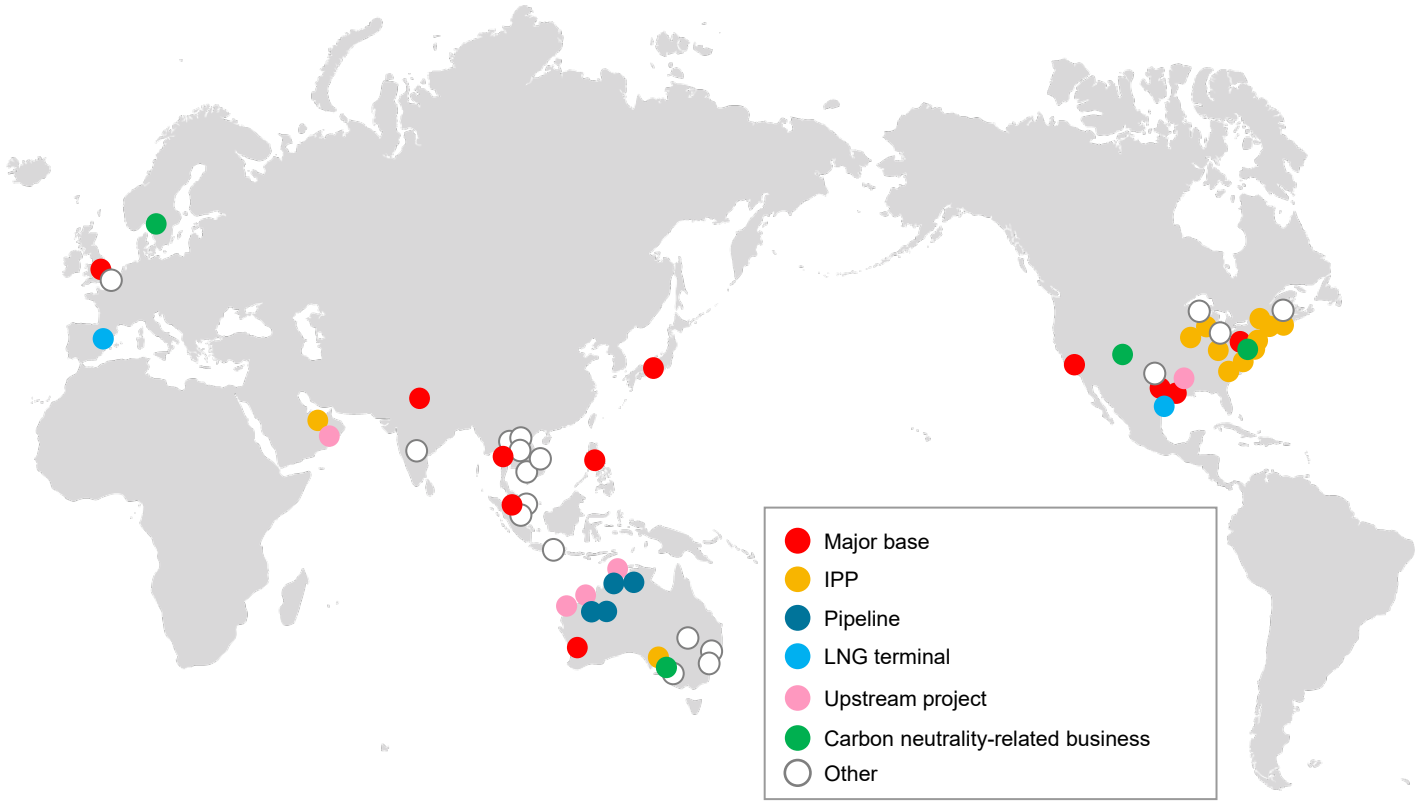
Domestic energy infrastructure (as of the end of December 2024)



Major overseas energy infrastructure (as of the end of March 2024)



Disclaimer

This document has been translated from the Japanese original for reference purpose only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Cautionary Statement with Respect to Forward-Looking Statements

These materials include forecasts, plans and strategies for future performance, which are based on the judgment of the Group based on information currently available.

Actual results could differ materially from these forward-looking statements due to a number of important factors.

Factors that could affect the Company's actual results include, but are not limited to, fluctuations in the Japanese economy, sudden changes in foreign exchange rates and Crude oil price, and changes in the weather.

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Reference Materials

ESG Indicators (FY2027.3 and FY2031.3)

Key issue (materiality)	ESG indicator	FY2027.3 target	FY2031.3 target
Provide carbon neutral energy	Avoided emissions (compared to FY2018.3)	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_2 emissions of the Daigas Group	-	-5 million tons/year in Japan (compared to FY2018.3)
	CO_2 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^3/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	Customers 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 more	30% or more
	Percentage of women in new recruits for career-track positions	30% or more	30% or more
	Work engagement score	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	Percentage of female directors	25% or more	30% or more
	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 Gruop 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	

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