Daigas Group
Green/Transition Finance Framework

May 2024

1. Introduction

1.1 Overview of the Framework

Osaka Gas (hereinafter referred to as “the Company”) developed the Green/Transition Finance Framework (hereinafter referred to as “the Framework”) in March 2022, and has been conducting strategic financing primarily through transition finance. Driven by the setting of new strategic targets and other factors, the Company has recently revised the Framework to expand the scope of its application to include transition-linked finance.

The Framework continues to outline the transition strategy and corresponding financing of the Company and the Daigas Group to achieve carbon neutrality by 2050, along with their compliance with various principles related to green/transition finance, and present them to stakeholders.

Through the utilization of green/transition finance based on the Framework, the Daigas Group will strive to solve social issues, including climate change.

1.2 External Evaluation of the Framework

The Company has obtained a Second Party Opinion on the Framework from DNV Business Assurance Japan K.K., an independent evaluation agency, regarding its conformity with the following relevant standards:

- Green Bond Principles 2021 (International Capital Market Association [ICMA])
- Green Loan Principles 2023 (Loan Market Association [LMA], etc.)
- Sustainability-Linked Bond Principles 2023 (ICMA)
- Sustainability-Linked Loan Principles 2023 (LMA, etc.)
- Green Bond and Sustainability-Linked Bond Guidelines 2022 (Ministry of the Environment, Japan)
- Green Loan and Sustainability-Linked Loan Guidelines 2022 (Ministry of the Environment, Japan)
- Climate Transition Finance Handbook 2023 (ICMA)
- Basic Guidelines on Climate Transition Finance 2021 (Financial Services Agency, Ministry of Economy, Trade and Industry, Ministry of the Environment)

1.3 About Osaka Gas (Daigas Group)

Since its establishment in 1897, the Daigas Group has expanded its business through the supply of city gas primarily in the Kansai region. Today, it has grown into a corporate group consisting of the following three major business segments:

(1) Domestic energy business: Production, supply, and sales of city gas; gas appliance sales; gas piping construction; LNG sales; LNG transport; LPG sales; industrial gas sales; power generation and electricity sales
(2) Overseas energy business: Development and investment related to natural gas and other resources; energy supply
(3) Life & business solutions (LBS) business: Real estate development and rental; information processing services; sales of fine materials and carbon-based products

1.4 Corporate Philosophy and ESG Management

The Daigas Group aims to become a corporate group that powers continuous advancement in customers' lives and businesses. To accomplish this aim through business activities, the Group is committed to creating value primarily for customers, as well as for society, shareholders, and employees. We believe that we must fulfill our Group's social responsibility by creating these four types of value through fair and transparent business activities, and promote efforts based on our corporate principles.

In addition, in the "Medium-Term Management Plan 2026," as a corporate group that "secures peace of mind today and builds sustainable lifestyles for tomorrow," the Daigas Group has established its key business strategy, the "Three Commitments": (1) co-creating value for a sustainable future (providing carbon-neutral energy, enhancing the resilience of customers and society, and co-creating advanced and diverse solutions); (2) supporting employees to shine in their roles; and (3) evolving the business foundation.

Furthermore, to achieve carbon neutrality by 2050, the Company has developed and announced the "Daigas Group Carbon Neutral Vision" and the "Daigas Group Energy Transition 2030." To achieve both a stable and secure energy supply and the carbon neutrality of energy, the Daigas Group aims to achieve carbon neutrality by 2050 by expanding the use of natural gas, which contributes to reducing CO_2 emissions throughout society, decarbonizing gas energy through the introduction of e-methane*1 produced from renewable energy and hydrogen, decarbonizing power sources mainly through the introduction of renewable energy, and providing solutions to customers through these efforts.

The Daigas Group has been working on various research and development projects, such as "innovative SOEC methanation technology"*2 and "new hydrogen production technology."*3 Through these innovations, the group will take on the challenge of realizing carbon neutrality in its business operations. Moving forward, the Daigas Group will continue to accelerate research and development by promoting alliances with various partners from the industrial, governmental, and academic sectors.

To become a corporate group that powers continuous advancement in customers' lives and businesses , the Daigas Group will continue to develop technologies and services to achieve carbon neutrality, thereby striving to solve social issues including climate change.

*1 Methane (the main component of city gas) synthesized and produced from hydrogen and CO_2 using methanation technology

*2 The Company's technology allows for more efficient methane synthesis than conventional methods by simultaneously producing hydrogen and synthesizing methane.

*3 Hydrogen production technology using chemical looping combustion technology

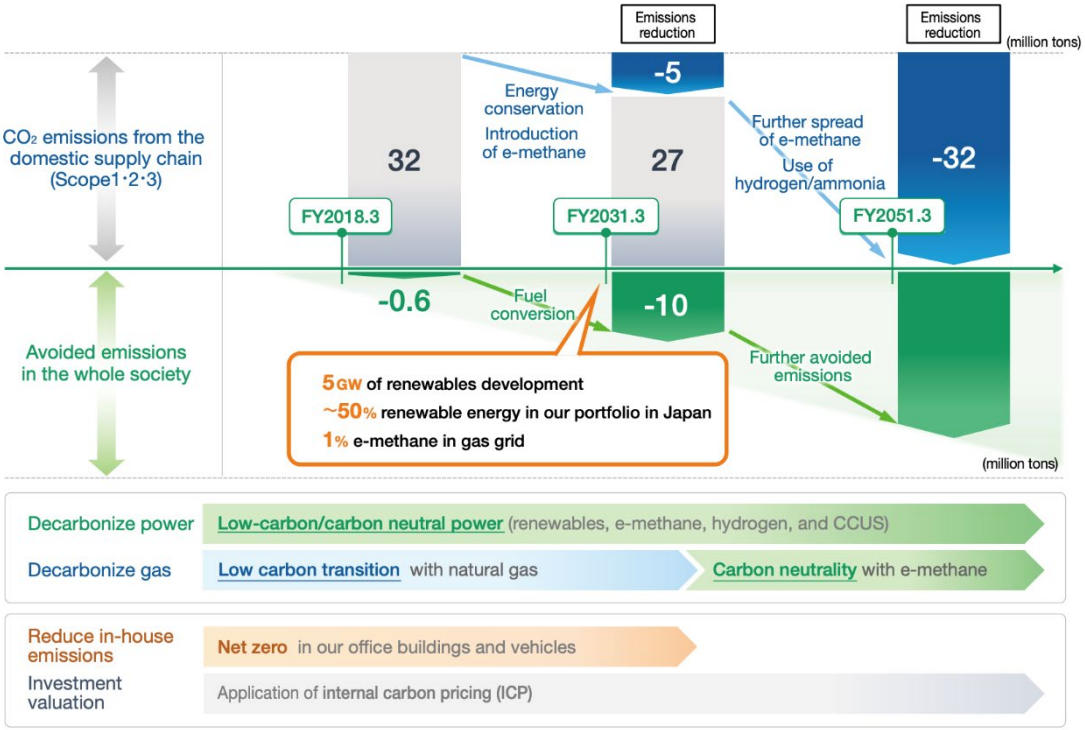
2. Disclosure Items Based on the Climate Transition Finance Handbook and the Basic Guidelines for Climate Transition Finance

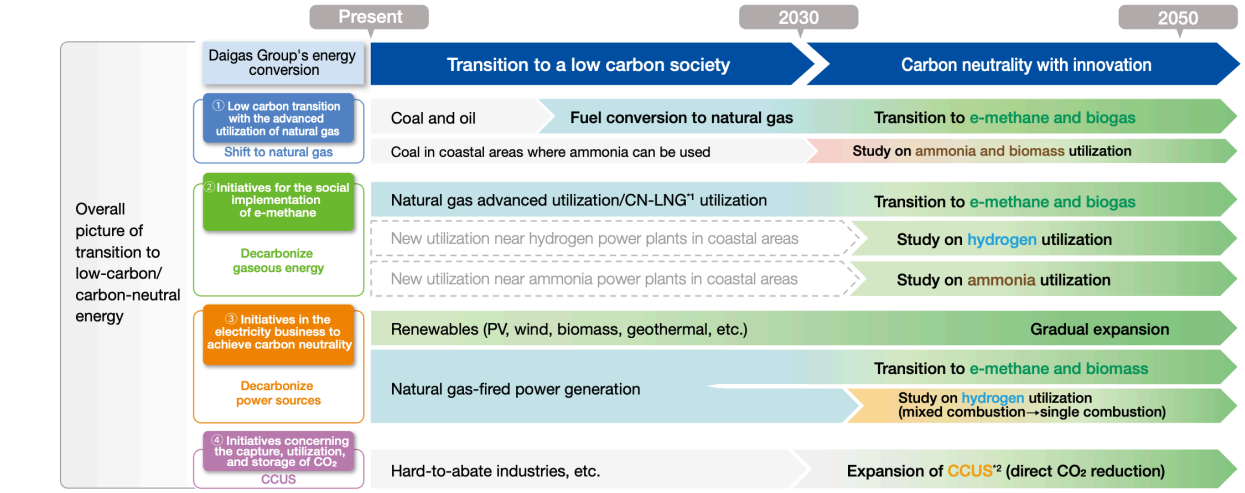
2.1 Climate Transition Strategy and Governance

2.1-1 Initiatives under the “Daigas Group Carbon Neutral Vision” and the “Daigas Group Energy Transition 2030”

The Daigas Group, in its “Daigas Group Carbon Neutral Vision,” has declared its commitment to achieving carbon neutrality by 2050 as a long-term goal consistent with the Paris Agreement. This will be pursued through the decarbonization of city gas feedstock primarily using methanation with renewable energy and hydrogen, as well as the decarbonization of power sources mainly by introducing renewable energy. In addition, in the “Daigas Group Energy Transition 2030,” as a comprehensive energy company responsible for social infrastructure essential to people’s lives and industries, the group has outlined an overall picture of the path toward achieving low and decarbonized energy, as well as “specific initiatives” and “solutions that can be offered to customers” for the period until 2030.

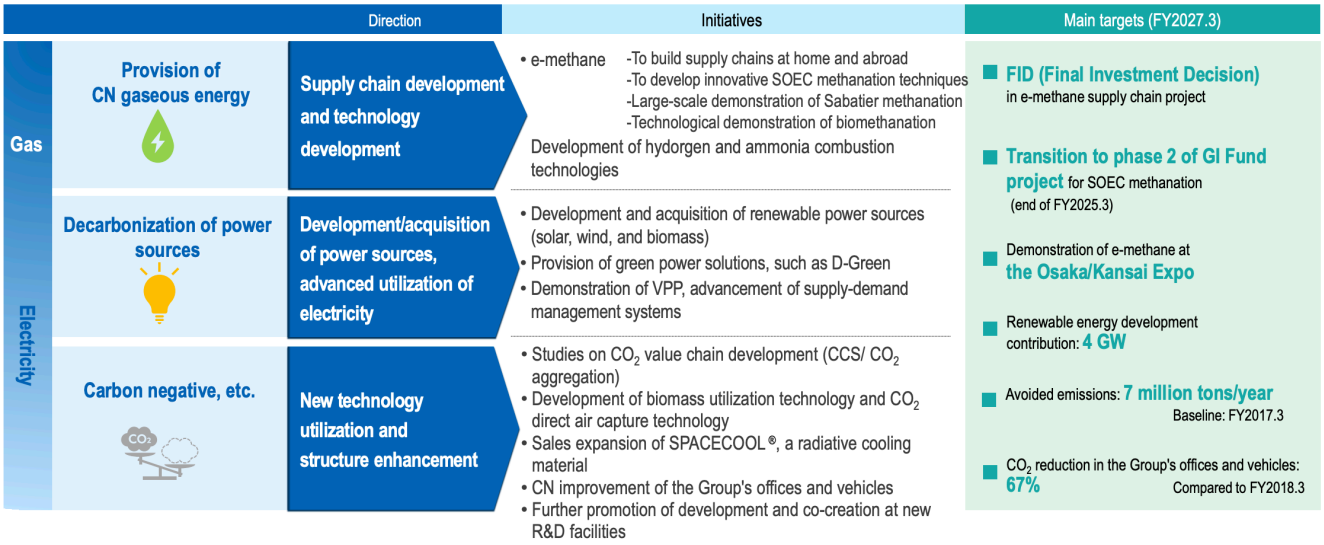
Since technological innovation and the construction of new supply chains to achieve carbon neutrality require considerable time and social costs, it is important to steadily advance low carbonization in the interim. It is also important to select optimal energy sources and supply methods according to each customer’s energy usage characteristics, such as the balance between electricity and heat usage, as well as location. The Daigas Group’s CO_2 reduction roadmap and specific initiatives toward realizing a carbon-neutral society are as follows:





*1 CN-LNG: Carbon Neutral LNG, which is considered to produce no CO_2 on a global basis when greenhouse gases emitted in the supply chain from natural gas production to combustion are offset by CO_2 absorbed and reduced in a separate process from the value chain.
*2 CCUS: Carbon dioxide Capture, Utilization and Storage

In the “Daigas Group Medium-Term Management Plan 2026,” the group has set targets for FY2027.3 as milestones toward achieving carbon neutrality in energy.



① Low Carbon Transition with the Advanced Utilization of Natural Gas

The Daigas Group is advancing fuel conversion from coal and oil to natural gas, which emits less CO_2, and introducing energy conservation technologies (such as cogeneration), thereby contributing to reducing CO_2 emissions throughout society. The group is implementing fuel conversion not only in the Kansai region but also in broader areas across Japan and in other Asian countries, and plans to expand the initiative in the future.

② Initiatives for the Social Implementation of E-methane

The Daigas Group believes that e-methane, which is synthesized from hydrogen produced using renewable energy and CO_2, is the key to making city gas carbon neutral. E-methane has various benefits, such as reducing additional social costs. The Daigas Group is undertaking various initiatives for the social implementation of e-methane.

■ E-methane Supply Chain and Cost Benefits for Social Implementation

E-methane is produced by recycling CO_2 emitted into the atmosphere and combining it with hydrogen. Since e-methane does not increase the amount of CO_2 in the atmosphere when burned, it is considered a carbon-neutral energy source.

Furthermore, since e-methane has almost the same composition as city gas, it can be used with existing city gas infrastructure and customers' combustion equipment without modification. This allows for seamless decarbonization from the transition period, offering the benefit of reducing social implementation costs.

■ Four Value Propositions of E-methane

E-methane offers four value propositions that can benefit customers and society. Taking these values into account, the Daigas Group aims to introduce e-methane equivalent to 1% of the Company's gas sales volume by FY2031.3.

Value proposition ① Decarbonized heat demand	Decarbonizing heat demand, which accounts for 60% of the energy including high-temperature heat that cannot be generated by electricity
Value proposition ② Lower social costs	Significantly reducing social costs by using the existing gas infrastructure and customers' equipment without replacement
Value proposition ③ Enhanced energy security	Mitigating geopolitical risks through diversified sources of e-methane produced in various locations in Japan and overseas
Value proposition ④ Carbon neutral Asia	Exporting competitive Japanese industries and contributing to environment conservation and economic growth in Asia and Japan

■ Building a Domestic and International E-methane Supply Chain

The Daigas Group is preparing for the full-scale introduction of e-methane starting in FY2031.3 by establishing diverse methanation technologies, developing renewable energy sources, and building domestic and international supply chains for hydrogen and CO_2 procurement in collaboration with customers.

The group will consider the introduction of e-methane primarily in the city gas service area of the Kansai region and comprehensively verify the feasibility of elemental technologies and supply chain realization, thereby aiming to establish an optimal e-methane supply model. To introduce e-methane, the Daigas Group believes that building overseas supply chains, in addition to domestic supply chains, is also a viable option. In cooperation with domestic and overseas businesses, the group is conducting multiple feasibility studies and creating basic designs for building overseas supply chains. Aiming for stable procurement in the future, it will narrow down candidate production sites mainly in North America, South America, Australia, the Middle East, and Southeast Asia, where existing natural gas and LNG facilities are available. The Daigas Group will also aim to promote the use of e-methane in Asia as a new consuming region.

③ Initiatives in the Electricity Business to Achieve Carbon Neutrality

■ Decarbonizing Power Sources

As one of its FY2031.3 targets, the Daigas Group is working towards 5 GW of renewable energy development contribution.*1 To achieve this, the group is promoting the development of a wide range of renewable energy sources, such as wind, solar, and biomass, in collaboration with various partners both in Japan and overseas. In addition, the group is working on utilizing power grid storage batteries and VPPs, as well as decarbonizing thermal power sources, which are necessary for grid balancing.

*1 Including FIT power sources

④ Initiatives for CO_2 Capture, Utilization, and Storage

The Daigas Group aims to contribute to a circular society by reducing customers' CO_2 emissions and environmental impact through the reuse of CO_2 emitted into the atmosphere (CCU)*1 to produce and supply e-methane via methanation. In addition, to establish CO_2 value chains and conduct the injection and storage of CO_2 deep underground (CCS),*2 the group is conducting joint studies and other initiatives both in Japan and overseas.

■ Initiatives to Develop CO_2 Value Chains

To develop CO_2 value chains, the Daigas Group has begun joint studies on the capture, transportation, utilization, and storage of CO_2 emitted from domestic steel, cement, and chemical plants, where reducing CO_2 emissions is difficult.

*1 CCU: Carbon dioxide Capture and Utilization
*2 CCS: Carbon dioxide Capture and Storage

The Daigas Group will review its transition strategy in a timely and appropriate manner based on the progress of each of the technologies listed as specific initiatives and the status of policies such as the Basic Energy Plan and the Green Growth Strategy, and disclose the outcomes to stakeholders.

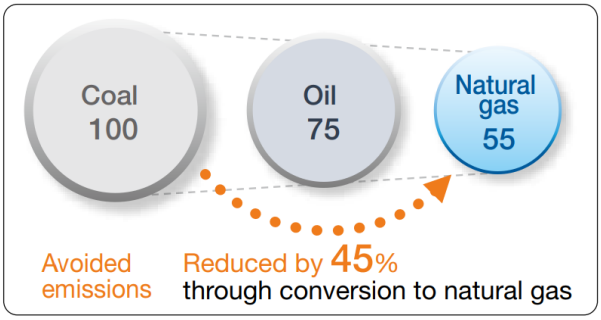
2.1-2 Concept of Contribution to Society-wide CO_2 Emissions Reduction

The Daigas Group's concept of contribution to society-wide CO_2 emissions reduction is illustrated in the diagrams below.

For example, switching from coal to natural gas can reduce CO_2 emissions by about 45%. However, if the Daigas Group supplies the natural gas, the Group's gas sales volume will increase, and according to the GHG Protocol, which is commonly used to calculate corporate CO_2 emissions, this will result in an increase in the Daigas Group's CO_2 emissions under Scope 3. Therefore, during the transition period up to 2030, the Daigas Group's CO_2 emissions will increase as it promotes fuel conversion from oil and coal to natural gas. On the other hand, switching to natural gas reduces CO_2 emissions per unit of heat, thereby contributing to the reduction of society-wide CO_2 emissions. However, under the GHG Protocol, society-wide CO_2 emissions reduction effects through contributions to other companies cannot be evaluated.

In order to advance decarbonization with many customers, the Daigas Group believes it is important to track progress based on the indicator of "avoided CO_2 emissions," which represents the society-wide impact of CO_2 emission reductions, and to garner understanding from stakeholders.

CO_2 Emissions Per Unit of Heat*



What Are "Avoided CO_2 Emissions"?

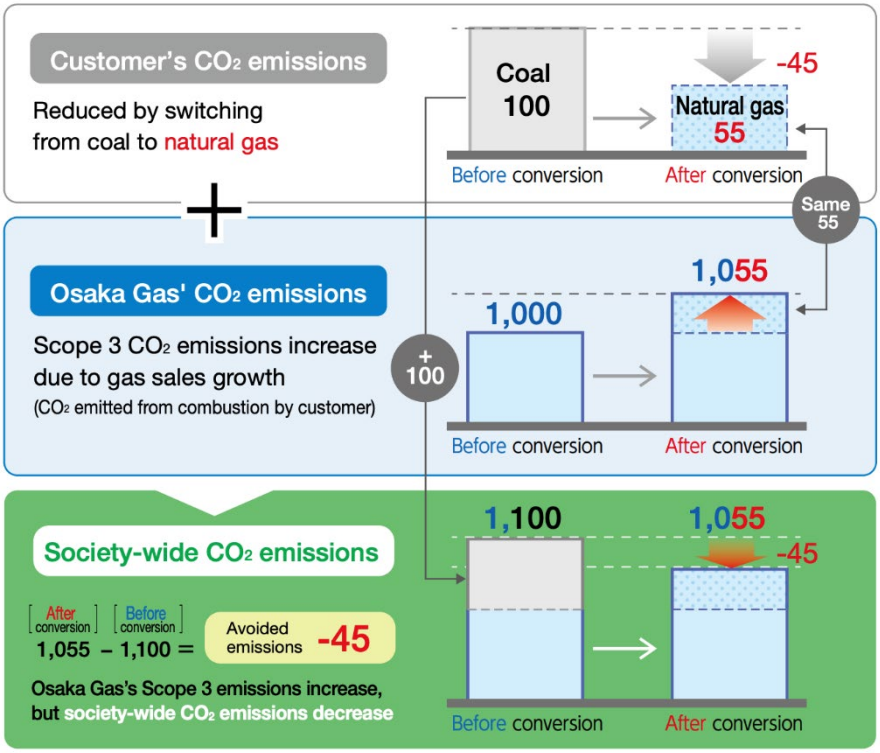
Quantified CO_2 emissions reduction through products and services provided to others

Calculated based on the "Guidelines for Quantifying GHG emission reductions of goods or services through Global Value Chain" (Ministry of Economy, Trade and Industry, March 2018)

Indicator of society-wide avoided emissions through contribution to other companies' emissions reduction

* Created based on the "Ordinance on Calculation of Greenhouse Gas Emissions Associated with Business Activities of Specified Emitters" (Ministry of Economy, Trade and Industry and Ministry of the Environment)

Example of Calculation of Avoided CO_2 Emissions



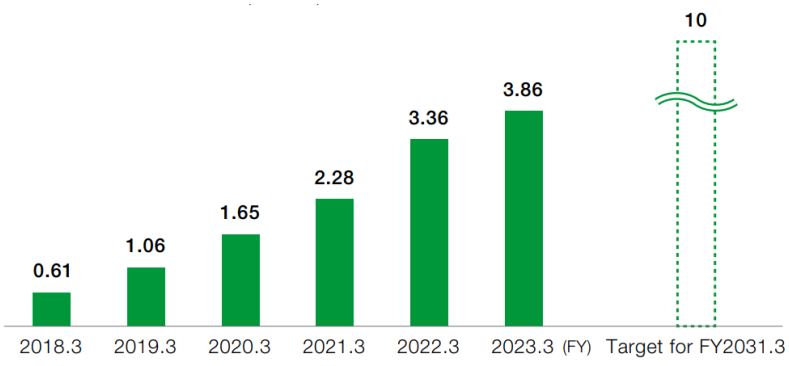
2.1-3 Daigas Group's Avoided CO_2 Emissions

Since the Daigas Group is undertaking various decarbonization initiatives for its customers and in its own business activities both domestically and internationally, it calculates the avoided CO_2 emissions based on all initiatives that contribute to reducing society-wide CO_2 emissions.

The CO_2 emissions reduction effect of the initiatives undertaken by the Daigas Group for its customers and in its own business activities since FY2018.3 was calculated to be 3.86 million tons for FY2023.3 (actual results of FY2023.3) alone. Continuing these initiatives, the Daigas Group aims to contribute to reducing society-wide CO_2 emissions by 10 million tons in FY2031.3 alone (from the FY2017.3 level).

The actual results are calculated based on the "Guidelines for Quantifying GHG Emissions Reduction Contributions" (Ministry of Economy, Trade and Industry, March 2018), using the calculation method and baseline approach shown in the table below, as well as the stock-based approach. The calculation results have been subject to a third-party review by Bureau Veritas Japan Co., Ltd.

Record of Avoided CO_2 Emissions



Calculation method of avoided emissions

Reduction point	Low- and decarbonization initiatives	Calculation method of reduction results	Baseline approach
Reduction in own business activities	Renewable energy sources: Wind power plants, solar power plants, biomass power plants, etc.	Amount of electricity generated or procured × Average electricity emission factor for thermal power*	Replace thermal power generation
	Highly efficient thermal power generation	Amount of electricity generated × Difference in CO_2 emission factors from existing thermal power plants	Comparison with emission factors of existing thermal power
	Cold power generation facilities in the city gas production process	Amount of electricity generated × Average electricity emission factor for thermal power	Replace thermal power generation
Reduction at the customer's site	Highly efficient decentralized systems: Household fuel cells, cogeneration	Household fuel cells: Number of units installed × Reduction per unit	Replacement from conventional water heaters (boilers) and purchased electricity
		Cogeneration: Number of units installed × Reduction per capacity	
	Expansion and advanced use of natural gas: Fuel conversion, high-efficiency water heaters, gas air conditioning	Fuel conversion: Amount developed × Difference in CO_2 emission factors	Comparison with emissions from other fuels
		Gas air conditioning: Amount sold × Reduction per capacity	Replace conventional air conditioners
		High-efficiency water heaters: Number of units installed × Reduction per unit	Replace conventional water heaters
	Energy saving proposals (solar power generation equipment, LED lighting)	Amount of electricity generated or saved × Average electricity emission factor for thermal power*	Replace thermal power generation

* Calculated using the average emission factor for thermal power: 0.65 kg-CO_2/kWh (FY2014.3) in the Plan for Global Warming Countermeasures (approved by the Cabinet on 22 October 2021)

2.1-4 Climate Change Governance

The Daigas Group recognizes responding to climate change as one of the most important management issues. The Board of Directors, responsible for overseeing and making decisions on key business activities across the Daigas Group, supervises and makes decisions on issues related to climate change. At the ESG Promotion Meeting (Management Meeting), held three times a year, executives review action plans and activity reports concerning ESG issues, including climate change, and submit recommendations and reports to the Representative Director and President.

In addition, the Daigas Group has established the ESG Promotion Committee, chaired by the ESG Promotion Manager (Representative Director and Executive Vice President), who oversees the Daigas Group's sustainability activities, with the heads of relevant organizations serving as members. The ESG Promotion Committee meets four times a year to deliberate, coordinate and oversee ESG-related matters, such as the development and implementation of plans for business activities related to climate change response, the progress in achieving targets, and risk management and countermeasures, in a cross-sectoral manner. Among these, important matters, such as the progress of achieving ESG management targets related to sustainability and business plans that are expected to suffer a large financial impact due to climate change, are reported to the Board of Directors for further discussion.

Performance-linked compensation is paid to directors other than outside directors, using the ESG indicator achievement coefficient as one of the performance indicators. The ESG indicators include climate change-related indices, such as CO_2 emissions, to achieve carbon neutrality.

Governance Structure for Climate Change Issues

2.2 Environmental Materiality in Business Models

In formulating materialities, the Daigas Group referred to the procedures indicated by the GRI Standards and mapped the results of importance evaluations from both its own perspective and that of stakeholders. Items deemed highly important by both the group and its stakeholders have been identified as “materialities.” “Carbon neutrality of energy” is a critical management issue for the Daigas Group, and efforts to reduce CO_2 emissions are positioned as an extremely important mission.

In addition, the Daigas Group conducted a scenario analysis on climate change using scenarios published by an external organization (the IEA). This was done with the aim of understanding the medium- to long-term impact of climate change on the group’s business and using this information to consider and prepare countermeasures. The analysis was conducted for the group’s energy businesses (domestic and overseas gas and electricity businesses), which are expected to be significantly affected by climate change, based on two scenarios: the 1.5°C Scenario (NZE2050) and the 2.6°C Scenario (STEPS), both from the IEA’s “World Energy Outlook 2021,” considering the progress of energy efficiency improvement and changes in the energy mix.

The Daigas Group will implement initiatives to enhance the resilience of its business operations steadily, while leveraging insights obtained from the scenario analysis in the consideration of medium- to long-term business strategies. Also, the premises underlying the scenarios may change as the response to climate change progresses globally. The Daigas Group will continue to deepen its scenario analysis while referring to scenarios from external organizations and updating them as necessary.

2.3 Science-based Climate Transition Strategy (Including Goals and Approaches)

The medium- to long-term goals and specific initiatives that the Daigas Group has established as a transition path to achieve carbon neutrality by 2050 align with the “Technology Roadmap for Transition Finance in the Gas Sector” and the “Technology Roadmap for Transition Finance in the Electricity Sector” (published by the Ministry of Economy, Trade and Industry, hereinafter collectively referred to as the “sector-specific roadmaps”).

The specific initiatives described in “2.1-1 Initiatives under the “Daigas Group Carbon Neutral Vision” and the “Daigas Group Energy Transition 2030” are consistent with the technology roadmaps outlined in the sector-specific roadmaps. These technology roadmaps align with the national emission reduction targets (NDC), the Basic Energy Plan, and the Strategy for Promoting the Transition to a Carbon-Free Growth-Oriented Economy (GX Promotion Strategy), all of which have been established by the Japanese Government based on the Paris Agreement. The sector-specific roadmaps illustrate the transition path toward carbon neutrality by 2050 formed by these initiatives, demonstrating that the Daigas Group’s transition strategy contributes to achieving carbon neutrality and aligns with the Paris Agreement.

2.4 Transparency of Implementation

To achieve its 2030 targets, including 1% e-methane in the gas grid, 10 million tons of society-wide avoided CO_2 emissions, and 5 GW of renewables development, the Daigas Group, in its “Medium-Term Management Plan 2026,” has planned investments of approximately 220 billion yen in carbon neutrality projects for the period FY2025.3 to FY2031.3.

To achieve sustainable growth, over the three years from FY2025.3 to FY2027.3, the Daigas Group plans to invest approximately 100 billion yen in carbon neutrality areas (such as domestic renewable energy

and e-methane) to build future revenue, and approximately 460 billion yen in key growth areas (such as thermal power generation, shale gas development, and life & business solutions).

The Daigas Group will continue to make investments, while maintaining its financial soundness, to achieve its FY2031.3 targets, including those related to the reduction of CO_2 emissions in the domestic supply chain (Scopes 1, 2, and 3) and society-wide avoided CO_2 emissions, as well as to achieve carbon neutrality by 2050.

3. When the Use of Funds is Specified: Green/Transition Finance

3.1. Use of Procured Funds

Funds procured through green/transition finance will be allocated to new investments and refinancing of existing investments in projects that meet the eligibility criteria outlined in the table below. For existing investments, only expenditures made within approximately three years prior to the execution of green/transition finance will be eligible.

Eligible Criteria				Project overview (main expenditure)
1)	Decarbonization of gas energy	Hydrogen utilization	Methanation	Expenditure on capital expenditure and research and development towards social implementation of e-methane and establishment of methanation technology (e.g., SOEC co-electrolysis)
			Direct use	Expenditure on building the hydrogen supply chain (equipment manufacturing, hydrogen production, transport, supply, etc.) Expenditure on research and development investment in a process for simultaneous production of hydrogen, electricity and CO_2 using chemical looping combustion technology
		Biogas, biomethane		Expenditure on capital expenditure to expand the use of biogas and biomethane for domestic and international on-site utilization
2)	Decarbonization of power generation	Renewable power generation		Expenditure on the development, construction, operation and refurbishment of renewable energy, such as biomass, solar, onshore wind and offshore wind
		Thermal power generation	Carbon-neutral Fuel utilization	Expenditure on investment, research and development in the procurement, supply and use of synthetic methane, hydrogen and ammonia
			CO_2 capture and storage (CCUS)	Expenditure on participation in CCUS demonstrations (e.g., consortia)
3)	Low-carbonization	Fuel Cells	The fuel cell high efficiency and miniaturization	Expenditure on research, development and capital investment in small SOFCs with high power generation efficiency
		Advanced utilization of natural gas and CHP	Fuel conversion from oil and coal to natural gas	Expenditure on capital expenditure (e.g., on the construction of LNG satellite terminals, LNG bunkering vessels, and the provision of related equipment) to support customers' fuel conversion
			Micro grid	Expenditure on the construction and demonstration of microgrids
			Carbon-neutral LNG	Expenditure on the procurement and supply of carbon neutral LNG* *LNG with GHG emissions offset by credits
		Advanced energy utilization	VPP and smart energy systems	Expenditure on research and development and capital investment in VPP, storage battery business, projects to demonstrate the establishment of smart energy systems, etc.
			EVs	Expenditure on EV charging infrastructure business, demonstration projects and service provision, etc. that contribute to the diffusion and expansion of EVs
		Other (Reduction of CO_2 emission associated with own activities)	Reduce CO_2 emissions from activities other than the above, such as manufacturing, power generation, and office operations	Expenditure on cold power generation equipment and cold heat utilization equipment in the city gas production process, and on energy-saving renovation work in buildings

When evaluating the eligibility of each project, the Daigas Group confirms that the project takes potential negative environmental and social impacts into consideration. The group also confirms that the necessary certifications and permits for the relevant equipment, facilities, and the project itself are properly obtained, and that the environmental assessment procedures required by the country, region, or municipality where the equipment or project is located are properly followed.

3.2. Project Evaluation and Selection Process

The projects for which the funds from green/transition finance are used are initially selected by the Company's Finance Department based on the eligibility criteria defined in "3.1 Use of Procured Funds." The final decision is made by the Chief Financial Officer after discussions with relevant business units and the Planning Department.

3.3. Management of Procured Funds

The funds procured through green/transition finance are managed by the Company's Finance Department, which creates a dedicated ledger. The allocation status of the funds is managed annually until the full amount is allocated. Any unallocated funds are managed as cash or cash equivalents and are planned to be allocated within 24 months of procurement.

3.4. Reporting

3.4-1 Fund Allocation Reporting

The Company annually discloses the following information regarding the allocation status of procured funds on its website until all funds are allocated for eligible projects

- Allocated amounts by eligibility criteria
- Remaining balance of unallocated funds
- Approximate amount of funds allocated to refinancing from the procured funds

In addition, any significant changes in the fund allocation status until redemption or repayment will be disclosed accordingly. Furthermore, the Daigas Group's initiatives toward achieving carbon neutrality by 2050 will be periodically reviewed in light of the status of policies, technologies, and other relevant factors, and the outcomes will be disclosed accordingly.

3.4-2 Impact Reporting

Until the redemption or repayment of the financing is completed, the Company will disclose on its website annually, within the scope of its confidentiality obligations and to the extent practicable, all or some of the indicators listed below:

Eligible Criteria		Impact Reporting Example
Hydrogen utilization	Methanation	・ Overview of the projects ・ Status of R&D and demonstration
	Direct use	
Biogas		・ Overview of biogas utilization project ・ Annual CO2 emission reductions（t-CO_2）
Renewable power generation		・ Overview of Renewable Energy Projects ・ Equipment capacity（MW） ・ Annual electric power generation（kWh） ・ Annual CO2 emission reductions（t-CO_2）
Thermal power generation	Carbon-neutral Fuel utilization	・ Annual CO2 emission reductions（t-CO_2） ・ Overview of Investment and R&D
	CO2 capture and storage (CCUS)	・ Overview of the projects
Fuel Cells	The fuel cell High efficiency and miniaturization	・ Overview of R&D and capital investment related to small SOFC ・ Efficiency indicators (e.g., DC generation end efficiency) ・ Energy Saving Effects ・ Annual CO2 emission reductions（t-CO_2）
Advanced utilization of natural gas and CHP	converting fuel from oil and coal to natural gas	・ Overview of the projects ・ Annual CO2 emission reductions（t-CO_2）
	Micro grid	・ Overview of the projects
	Carbon-neutral LNG	・ Annual CO2 emission reductions（t-CO_2）
Advanced energy utilization	VPP and smart energy systems	・ Overview of the projects ・ Energy Saving Effects ・ Annual CO2 emission reductions（t-CO_2）
Other (Reduction of CO2 emission associated with own activities)	Reduce CO2 emissions from activities other than the above, such as manufacturing, power generation, and office operations.	・ Overview of the projects ・ Annual CO2 emission reductions（t-CO_2）

3.4-3 Annual Review (Post-Financing External Review)

The Company will obtain an external review from DNV Business Assurance Japan K.K., a third-party assessment agency, regarding the validity of the calculation process and results of fund allocation reporting and impact reporting. The review will be conducted annually until all funds procured through green/transition finance are fully allocated.

4. When the Use of Funds is Not Specified: Transition-linked Finance

4.1. Selection of KPIs and Setting of SPTs

The Company has set the following KPI and SPT for the implementation of Transition-linked Finance.

KPI	SPT
CO2 emissions in the Daigas Group's domestic supply chain (Scope 1, 2, 3)	FY2031.3: 5 million tons reduction (compared to FY2018.3)

The CO_2 emissions in the Daigas Group's domestic supply chain are an important KPI in its climate change response, which it has positioned as a significant management issue, along with the avoided CO_2 emissions.

The promotion of a shift of energy sources to natural gas during the transition period through various measures, such as the introduction of high-efficiency LNG-fired power plants and the fuel shift from oil and coal to natural gas, contributes to reducing society-wide CO_2 emissions but can lead to an increase in the Daigas Group's own CO_2 emissions. In this context, this SPT is an ambitious goal aimed at reducing the total amount of CO_2 emissions through the promotion of energy conservation, the introduction of e-methane, and other measures. In addition, if taking into account the increase in domestic CO_2 emissions of the Daigas Group resulting from the aforementioned reduction contribution initiatives, the SPT level approximately aligns with the linear interpolation level from the baseline FY2018.3 results to 2050 carbon neutrality.

The KPI performance since the base year is shown in the table below. These results have been verified by a third party, Bureau Veritas Japan Co., Ltd.

FY2018.3	FY2021.3	FY2022.3	FY2023.3
32.01 million tons	27.24 million tons	26.31 million tons	25.05 million tons

* Digits in the thousandth place are rounded to the nearest hundredth.

Due to the significant impact of domestic energy demand and the status of individual projects, the CO_2 emissions in the Daigas Group's domestic supply chain may vary from year to year. Therefore, the Daigas Group avoids setting annual SPTs and instead focuses on medium- to long-term initiatives to achieve the FY2031.3 target. Furthermore, in addition to the aforementioned SPT, milestone SPTs may be established, considering the financing period and other factors. In such instances, the Daigas Group will disclose this information in relevant documents, such as bond disclosure statements or loan agreements, each time financing is executed.

If, for any reason, the achievement status of the SPT cannot be confirmed on the assessment date, the Daigas Group will treat it as not having been achieved.

If the Company changes SPTs after the execution of transition-linked finance, the SPTs of the transition- linked finance already executed will not be altered.

However, unforeseen circumstances beyond the control of the Company at the time of establishing the Framework (such as changes in business structure due to M&A, revisions in laws, regulations, and systems in relevant countries, and other abnormal events) that may significantly impact the Framework could necessitate changes in the measurement methods of the KPI, setting of SPTs, preconditions, and scope of the KPI. In such cases, there is a possibility of revisiting the SPT value of transition-linked finance already issued. Details of any revisions will be disclosed on the Company's website and other appropriate channels.

4.2. Characteristics of Bonds and Loans

The financial and structural characteristics of the transition-linked finance executed under the Framework are expected to vary based on the achievement status of the SPT. Each time financing is executed, the following items will be discussed and determined based on the Company's internal processes, and disclosed in relevant documents, such as bond disclosure statements or loan agreements:

- ☐ SPT values (including milestone SPTs if set)
- ☐ Date and method of SPT assessment
- ☐ Specific financial and structural characteristics* and their details

* This includes, but is not limited to, step-up or step-down interest rates and donations to organizations with the purpose of environmental conservation.

4.3. Reporting

The progress and achievement status of the SPT for the KPI will be disclosed annually on the Company's website or to lenders (for loans only).

4.4. Verification

The progress and achievement status of the SPT for the KPI will be verified by external agencies at least once a year during the period from the execution of the transition-linked finance to the final assessment date and disclosed on the Company's website or to lenders (for loans only).

Environmental performance data, including past results for the KPI, have been verified by a third party, Bureau Veritas Japan Co., Ltd.

If there are any discrepancies between the original (Japanese) and the English translation, the original (Japanese) takes precedence.