

# Toho Gas Group's Value Creation

# Materiality

Toho Gas Group has specified key issues evaluated for both their economic and social value as materiality.

## Materiality Identification Process

Taking as a reference the GRI Standards\*, which are the international standards for sustainability information disclosure, we extracted individual issues based on the expectations of stakeholders in line with the consideration of the Toho Gas Group Vision. The issues were evaluated from the viewpoints of economic and social value, and, after exchanging opinions with the relevant agencies, the materiality was selected through the Management Committee and the Board of Directors.

\* Standards for sustainability information disclosure published by the Global Reporting Initiative (GRI), an international NGO

**STEP 1**

### Extraction of individual issues

Based on the details of considerations in the process of formulating the Group Vision, items for evaluation by ESG evaluation agencies, and expectations from stakeholders, the potential individual issues were brought up and, following interviews with each department, 30 individual issues were extracted.

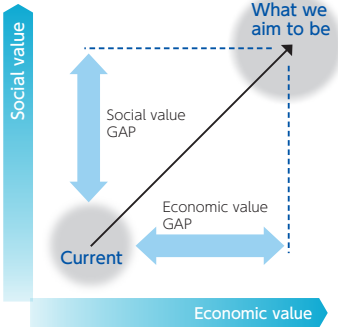
**STEP 2**

### Organization and evaluation of extracted individual issues

The prospective materiality was investigated in a workshop based on the individual issues extracted in STEP 1. Based on the viewpoints of both economic and social value, the individual issues were mapped out toward the realization of a sustainable society and the Group Vision. Issues with common factors were grouped together.



Materiality Workshop









**STEP 3**

### Identify Materiality

Discussions were held about the groups formed in STEP 2, and a draft materiality was organized. The materiality was selected through the Management Committee and the Board of Directors.

The challenges and goals for efforts toward the materiality were brought in line with the Medium-Term Management Plan 2022-2025.

Materiality	Action Issues
<b>Promote carbon neutrality</b> 	<ul style="list-style-type: none"> <li>● Reductions of carbon and decarbonization at gas customer locations</li> <li>● Contribute to the reduction in CO<sub>2</sub> emissions from society as a whole</li> </ul> <hr/> <ul style="list-style-type: none"> <li>● Develop technologies to decarbonize gas itself</li> </ul> <hr/> <ul style="list-style-type: none"> <li>● Establish a foundation to expand the use of hydrogen</li> </ul> <hr/> <ul style="list-style-type: none"> <li>● Low-carbonize/decarbonize electricity</li> </ul>
<b>Provide various kinds of energy and services</b> 	<ul style="list-style-type: none"> <li>● Development into a Total Energy Provider</li> <li>● Expansion of domestic and overseas energy-related business</li> <li>● Provide value through services that enrich life and services that support business</li> </ul>
<b>Supply safe, secure and stable energy</b> 	<ul style="list-style-type: none"> <li>● Advancing security measures and disaster measures</li> <li>● Stable procurement at a reasonable price</li> </ul>
<b>Contribute to the region through the resolution of social issues</b> 	<ul style="list-style-type: none"> <li>● Strengthen initiatives for coexistence with local communities</li> </ul> <hr/> <ul style="list-style-type: none"> <li>● Promotion of CSR procurement</li> <li>● Promoting resource recycling</li> </ul> <hr/> <ul style="list-style-type: none"> <li>● Biodiversity conservation</li> </ul>
<b>Improve work satisfaction and ease of work and promote diversity</b> 	<ul style="list-style-type: none"> <li>● Human resource management</li> <li>● Diversity and inclusion</li> <li>● Realizing flexible workstyles</li> <li>● Safety and health management</li> </ul>
<b>Strengthen compliance and governance</b> 	<ul style="list-style-type: none"> <li>● Promote risk management and strengthen information security</li> </ul> <hr/> <ul style="list-style-type: none"> <li>● Compliance promotion</li> </ul>

Target (FY2025)	FY2022 Results	Main related pages
<ul style="list-style-type: none"> <li>Amount of contribution to CO<sub>2</sub> reduction 1 million tonnes</li> <li>Reduction of CO<sub>2</sub> emission intensity in business activities -2% CO<sub>2</sub> emission intensity/year</li> </ul>	<ul style="list-style-type: none"> <li>Amount of contribution to CO<sub>2</sub> reduction 307 thousand tonnes</li> <li>CO<sub>2</sub> emission intensity in business activities +3.4% CO<sub>2</sub> emission intensity compared to the previous year</li> </ul>	<ul style="list-style-type: none"> <li>P.25 Initiatives for Carbon Neutrality</li> <li>P.35 Management of Environmental Preservation</li> <li>P.39 Global Warming Countermeasures</li> <li>P.80 Electricity Business</li> </ul>
<ul style="list-style-type: none"> <li>Promote development and verification of technology for CO<sub>2</sub> capture and utilization and methanation</li> </ul>	<ul style="list-style-type: none"> <li>Signed an agreement with the city of Chita for small-scale methanation</li> <li>Launched in-depth examination concerning the introduction of e-methane to Japan using the Cameron LNG base in the U.S.A.</li> </ul>	<ul style="list-style-type: none"> <li>P.25 Initiatives for Carbon Neutrality</li> </ul>
<ul style="list-style-type: none"> <li>Establish firm position as a hydrogen supplier in the region</li> </ul>	<ul style="list-style-type: none"> <li>Began construction of hydrogen production facilities at the Chita-Midorihamama Works</li> <li>Launched sales of industrial furnace burners capable of switching between city gas and hydrogen combustion</li> </ul>	<ul style="list-style-type: none"> <li>P.25 Initiatives for Carbon Neutrality</li> <li>P.77 Technical and Product Development</li> </ul>
<ul style="list-style-type: none"> <li>Amount handled of renewable energy power sources 250,000 kW*1</li> </ul>	<ul style="list-style-type: none"> <li>Amount handled of renewable energy power sources 93,000 kW</li> </ul>	<ul style="list-style-type: none"> <li>P.25 Initiatives for Carbon Neutrality</li> <li>P.80 Electricity Business</li> </ul>
<ul style="list-style-type: none"> <li>Numbers of city gas, LPG, and electricity customers 3 million*2</li> </ul>	<ul style="list-style-type: none"> <li>Number of energy customers reached 2.92 million (city gas: 1.74 million, LPG: 0.60 million, electricity: 0.58 million)</li> </ul>	<ul style="list-style-type: none"> <li>P.71 City Gas Business</li> <li>P.79 LPG and Other Energies</li> <li>P.80 Electricity Business</li> </ul>
<ul style="list-style-type: none"> <li>Digital contact membership 1.3 million</li> <li>New service launches About 10 services a year</li> </ul>	<ul style="list-style-type: none"> <li>Participated in industrial-use natural gas sales business in Southeast Asia (Thailand, Vietnam)</li> <li>Digital contact membership 0.90 million</li> <li>New service launches 11 services a year</li> </ul>	<ul style="list-style-type: none"> <li>P.81 Business Development</li> <li>P.71 City Gas Business</li> <li>P.81 Business Development</li> </ul>
<ul style="list-style-type: none"> <li>Maintain zero serious accidents</li> <li>Advancing Security Measures and Disaster Measures</li> </ul>	<ul style="list-style-type: none"> <li>Zero serious accidents</li> <li>Advanced measures against aging (LNG plant control system updates, aging pipeline countermeasures)</li> </ul>	<ul style="list-style-type: none"> <li>P.71 City Gas Business</li> </ul>
<ul style="list-style-type: none"> <li>Diversify procurement sources</li> </ul>	<ul style="list-style-type: none"> <li>Configured a LNG procurement portfolio resilient to environmental changes</li> <li>Decision to implement system-connected batteries to contribute to stable power supply</li> </ul>	<ul style="list-style-type: none"> <li>P.71 City Gas Business</li> <li>P.80 Electricity Business</li> </ul>
<ul style="list-style-type: none"> <li>Strengthen efforts for coexistence with local communities to solve social issues and improve resilience</li> </ul>	<ul style="list-style-type: none"> <li>Minato AQUIS selected as a Decarbonization Leading Area by the Ministry of the Environment</li> <li>Signed comprehensive cooperation agreements with six municipalities</li> <li>Established three new regional Shin-denryoku companies in collaboration with municipalities and other entities</li> </ul>	<ul style="list-style-type: none"> <li>P.45 Contribution to the Local Communities</li> </ul>
<ul style="list-style-type: none"> <li>Conduct initiatives that contribute to SDGs and education related to SDGs for the next generation in collaboration with local communities</li> </ul>	<ul style="list-style-type: none"> <li>School-education support activities (special classes at schools, Toho Gas Energy Exhibition Hall), hosted EPOC environmental education classes</li> </ul>	<ul style="list-style-type: none"> <li>P.45 Contribution to the Local Communities</li> </ul>
<ul style="list-style-type: none"> <li>Promote confirmation of procurement status and CSR procurement in collaboration with related parties</li> <li>Recycling rate of waste generated after gas pipeline construction: 99% or more</li> </ul>	<ul style="list-style-type: none"> <li>Developed and published CSR procurement policy and guidelines</li> <li>Maintained our partnership-building declaration</li> <li>99.7% recycling rate for waste materials generated by gas pipeline construction</li> </ul>	<ul style="list-style-type: none"> <li>P.55 Initiatives for Respect of Human Rights</li> <li>P.41 Resource Recycling</li> </ul>
<ul style="list-style-type: none"> <li>Sustenance and recovery of biodiversity through business activities and regional contribution activities, satoyama and forest conservation, and contribution to protection of local species</li> </ul>	<ul style="list-style-type: none"> <li>Maintained and managed biotopes, implemented satoyama and forest conservation activities in collaboration with municipalities</li> <li>Recognized as a certified enterprise under Aichi Biodiversity Company Certification Program</li> </ul>	<ul style="list-style-type: none"> <li>P.43 Biodiversity Conservation</li> </ul>
<ul style="list-style-type: none"> <li>Improve employee engagement</li> <li>Ensure diversity in appointing managers</li> </ul>	<ul style="list-style-type: none"> <li>Began management training for all managers</li> <li>Conducted external-speaker seminars (Toho Meetup) for young employees</li> <li>Ratio of women in management positions: 3.4% (26 persons), Gender pay gap: 73.3%, Ratio of mid-career hires: 25.5% (28 persons), Ratio of employment of people with disabilities: 2.40%</li> <li>Expanded programs to support compatibility with child-rearing and caregiving</li> <li>Recognized as a "Certified Health &amp; Productivity Management Outstanding Organization 2023 (White 500)" for the fourth consecutive year</li> </ul>	<ul style="list-style-type: none"> <li>P.49 Promotion of Personnel Policies</li> <li>P.49 Promotion of Personnel Policies</li> <li>P.53 Initiatives for Occupational Health and Safety</li> </ul>
<ul style="list-style-type: none"> <li>Share and raise awareness about compliance and risk detection in the entire organization</li> </ul>	<ul style="list-style-type: none"> <li>Conducted training presuming anticipating the occurrence of a cyber-attack against core systems</li> <li>Held workplace meetings focused on close-at-hand job-related risks</li> <li>Enacted measures relating to compliance with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade</li> <li>Augmented education through periodic streaming and library archiving of compliance training videos</li> <li>Established and promoted the utilization of consultation services based on the amended Whistleblower Protection Act</li> </ul>	<ul style="list-style-type: none"> <li>P.61 Internal Control</li> <li>P.63 Compliance</li> <li>P.63 Compliance</li> </ul>

\*1 The target amount handled of renewable energy power sources by 2030 is 500,000 kW. The amount handled of renewable energy power sources includes power development, ownership, FIT sources, and procurement both domestically and overseas.

\*2 Total number of customer accounts of City Gas, LPG, and Electricity \* Annual disclosure of actual results based on the Board of Directors' report is planned