

Transparency and Integrity of Management

The Toho Gas Group aims to enhance its corporate governance by reducing business risks and implementing measures to strengthen internal control, including strict observation of compliance not only at the Group but also at

companies forming partnerships with it. By doing so, the Toho Gas Group is striving to ensure transparency and soundness of its management.

Corporate Governance

◆ Fundamental Concept

The management philosophy of the Toho Gas Group is to attain steady growth and contribute to local economies by strengthening the supply of natural gas—an environmentally-friendly energy source known to have supply stability—as its business pillar, while attaching importance to

winning trust from shareholders, investors, individual customers, local communities, corporate clients and employees working for the Group. Under this philosophy, the Group will reinforce its corporate governance in order to remain a corporate group which is always trusted by its stakeholders.

◆ Organizations for Corporate Governance

(1) Board of Directors, Management Committee

The Board of Directors of the Company comprises 10 Directors, including two Outside Directors. The Board of Directors is convened every month in accordance with the rules stipulated for the Board, and makes important decisions relating to the Toho Gas Group while supervising the execution of duties by Directors and Executive Officers.

The Company has adopted the Executive Officer System to strengthen the function of executive operations and to clarify responsibilities. The Company has also established the Management Committee to deliberate on important management

issues, including important policy measures for each division and department, in accordance with the basic policy adopted by the Board of Directors and to manage the progress of each policy measure periodically.

Various committees have been set up to deal with cross-sectional issues under the chairmanship of the President and other Directors. Each committee is tasked with grasping relevant issues and monitoring the progress of activities being undertaken in response to these issues, with the results of its meetings submitted to the Management Committee for deliberation.

(2) Audit & Supervisory Board

Audit & Supervisory Board comprises five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members. Each Audit & Supervisory Board Member monitors the execution of duties assigned to Directors by attending important conferences of the Company including meetings of the Board of Directors, reading important statements submitted by them and visiting business offices

related to the Directors. Each Audit & Supervisory Board Member also attends meetings of the Board of Audit & Supervisory Board Members, convened on a monthly basis, for information sharing. The Company has set up the Audit & Supervisory Board Members' Office where full-time staffers have been deployed to assist Audit & Supervisory Board Members in the execution of their duties.

(3) Outside Directors, Outside Audit & Supervisory Board Members

Outside Directors and Outside Audit & Supervisory Board Members are appointed for the purpose of strengthening the supervisory and auditing functions of the Company and ensuring the transparency and fairness of corporate management. Since the two Outside Directors and the three Outside Audit & Supervisory Board Members have no special interest with the Company, it has been determined that no conflict of interest exists or will arise between shareholders, and these Outside Directors and Outside Audit & Supervisory Board

Members. Under these circumstances, the Company designated them "independent directors," as defined by securities exchanges.

It is judged that objectivity and neutrality have been warranted in the supervision of corporate management, as the supervising and auditing functions of the Company are working due to the respective roles being played by Outside Directors and Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members.

Board of Directors Audit & Supervisory Board Members



Koichi Yasui, Chairman (left) and Yoshiro Tominari, President

Representative Director,
Chairman
Koichi Yasui

Representative Director,
President
Yoshiro Tominari

Representative Directors
Osamu Nakamura
Shinji Niwa

Directors
Takayasu Hayashi
Katsuhiko Ito
Mitsuhiro Kodama

Adviser and Member
of the Board
Takashi Saeki

Outside Directors
Koji Miyahara
Tetsuo Hattori

Audit &
Supervisory Board Members
Nobuaki Matsushima
Hiroshi Yamazaki

Outside Audit &
Supervisory Board Members
Michiyo Hamada
Tamotsu Kokado
Norikazu Koyama

Compliance

The Toho Gas Group recognizes compliance not only as observing laws and in-house rules but also as meeting expectations of customers and society by behaving and acting based on social common sense and ethics. The Group has adopted action guidelines for corporate ethics and a code of conduct regarding compliance—a set of action standards concretized based on the guidelines. By working on spreading and fully implementing the code, each employee aims to win customers' confidence and contribute to the development of the local community.

Toho Gas has set up the Compliance Committee, chaired by the President of Toho Gas and composed of managers from business divisions, representative of the labor union and others. The committee is convened twice a year to discuss compliance activity plans and the results of their implementation. Each department's head is tasked with promoting compliance, with managers and section chiefs of each business office in charge of implementing compliance-enhancement measures.

Each affiliated company appoints an executive officer in charge of compliance and has taken the initiative in promoting compliance by setting up a compliance committee as part of their efforts.

Toho Gas has set up compliance desks both inside and outside the company (at a law firm) where not only employees of Group companies, including those dispatched to these companies via manpower agencies, but also former employees and workers employed by client firms can receive advice and consultation regarding compliance.

A fact-finding investigation will be swiftly launched following Group companies' contact with the desks, in line with rules set for dealing with questions raised at compliance desks. The rules include provisions protecting information provided by those who contacted the compliance desks and prohibiting them from being treated in a manner that would result in damaging their interests.