

Internal Control

Basic Concept (Establishment of Internal Control System)

Toho Gas Group Board of Directors resolved to establish a system (internal control system) to ensure the appropriateness and effectiveness of business operations and based on this resolution, we strive to strengthen risk management and ensure thorough compliance.

We review the internal control system as necessary based on changes in the business environment and other factors and confirm the status of its implementation at the Board of Directors Meeting each fiscal year. Details of the resolution and an outline of the status of its implementation over the past fiscal year are disclosed in our "Business Report."

Resolution of the Board of Directors on the Internal Control System

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| <ul style="list-style-type: none"> ① Board of Directors system for execution of duties (Conformity of Board of Directors execution of duties with laws and ordinances, and its effectiveness) ② Risk management system | <ul style="list-style-type: none"> ③ Compliance system ④ Subsidiaries business management system ⑤ Audit system |
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State of Administration of the Internal Control System

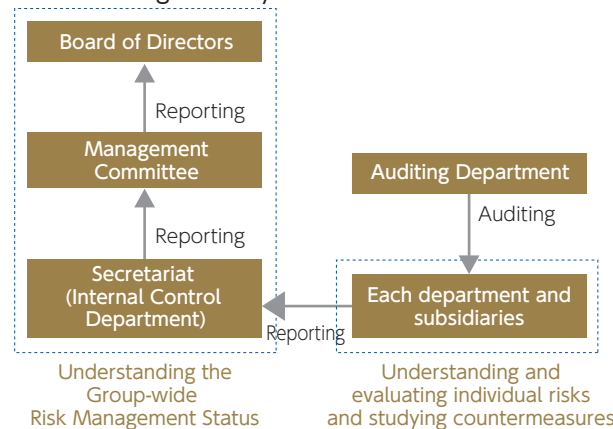
Risk Management

Risk management system

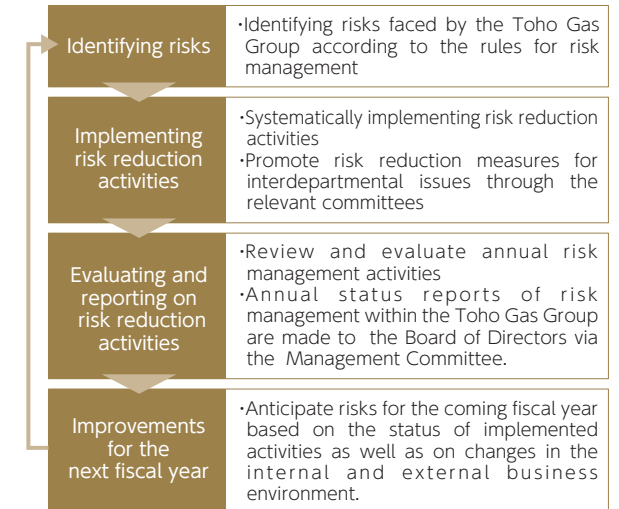
In accordance with our rules for risk management, Toho Gas works systematically to reduce risk by designating a department to manage a particular risk, and annual status reports of risk management within the Toho Gas Group are made to the Board of Directors via the Management Committee. Included in risk management are climate change and other risks related to ESG.

The relevant committee promotes measures aimed at risk reduction for cross-divisional issues; also, the progress and issues are discussed at the Management Committee. In addition, important management issues are also deliberated from the perspective of risk management.

Risk management system



Flow of risk management



Major risks that could affect Toho Gas Group businesses

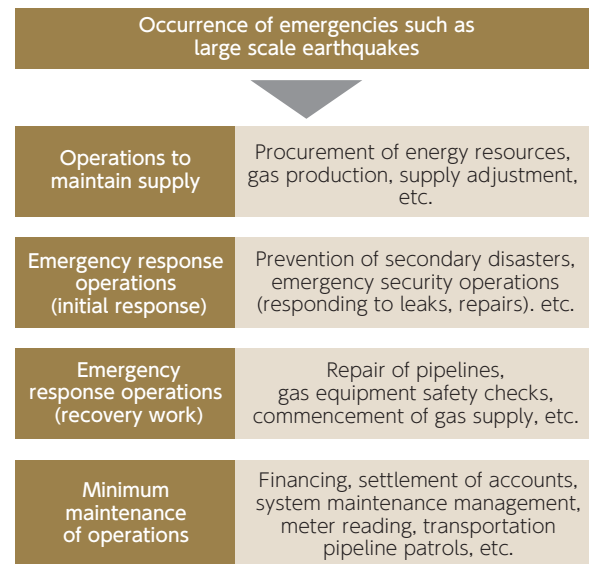
- ① Fluctuations in demand
- ② Fluctuations in prices of raw materials
- ③ Fluctuations in prices of electricity procurement
- ④ Fluctuations in interest rates and other costs
- ⑤ Changes in energy policies, laws, regulations, systems, or other factors
- ⑥ Natural disasters
- ⑦ Disruptions in procurement of raw materials
- ⑧ Disruptions in production and supply
- ⑨ Disruptions in information systems
- ⑩ Problems with gas appliances and facilities
- ⑪ Problems with the quality of products, services, and other items
- ⑫ Delays in the delivery of goods, materials, equipment, and other items
- ⑬ Changes in the investment environment
- ⑭ Noncompliance issues
- ⑮ Data leaks
- ⑯ Outbreaks of infectious disease

Disaster Preparedness and Business Continuity

City gas is indispensable to the daily life of our customers, and in order to protect our ability to supply city gas, we have established a management system and formulated a business continuity plan (BCP) based on the assumption that a disaster could occur at any time. We continuously conduct drills designed to sharpen our response to a large-scale disaster and strengthen cooperation with affiliates and partner companies.

Our BCP outlines goals to be met in responding to a major earthquake, such as "to prevent secondary disasters due to gas leaks while ensuring the safety of customers" or "to achieve prompt restoration of business by securing the personnel, equipment, and materials necessary to restore the gas supply to areas where it has been interrupted." The BCP also outlines response policies and methods as

— Operation during emergencies



well as preparedness measures at facilities and plans to secure supplies of equipment, food, and other necessary materials.

— Management of Subsidiaries

We support the development of internal control systems at subsidiaries, in an effort to strengthen internal control systems Group-wide.

Our subsidiaries and affiliated companies make decisions and report important matters to the Board of Directors in accordance with their own internal rules for the Board of Directors of each company.

In addition, we receive regular reports from our major subsidiaries and affiliates regarding their annual plans, financial results, operations, and activities related to internal control, as stipulated in our Regulations for Management of Affiliated Companies.

Having split-off of our Pipeline Network Division in April 2022, Toho Gas and Toho Gas Network have established Rules for Ensuring Neutrality in Pipeline Operations from the perspective of compliance with behavior regulations.

— Measures for information management and security

In accordance with our rules for document management, we preserve and manage documentation such as written statements (records of approval) and minutes of important meetings with a retention period suitable to the importance of the documentation. Additionally, we periodically conduct self-audits of document management and monitor the status of information storage and management.

Our Cyber Security Committee is responsible for overall control of cyber security throughout the company and for deliberating on the strengthening of cyber security

measures. In addition, Toho Gas Group employees participate in targeted e-mail drills and online security training to enhance their awareness of security issues, and other training that simulates security incidents is conducted on an ongoing basis.

— Internal Auditing

Compliance with the Financial Instruments and Exchange Law

Under our Internal Control Reporting System for Financial Reporting in compliance with the Financial Instruments and Exchange Law, our relevant departments and affiliated companies conduct self-inspections to ensure that internal rules and check systems are properly established and operated, and further evaluation is performed by the Internal Auditing Department, after which the results sent to a professional auditing firm. In FY2022, this process confirmed that Toho Gas Group's internal control over financial reporting was effective and an internal control report was submitted to the Financial Services Agency.

Internal Auditing

Based on the audit plan, the Auditing Department audits Toho Gas and subsidiaries to ensure that operations are being conducted appropriately and efficiently. They promptly report audit results to the president and corporate auditors and provide advice.