

Messages from Outside Directors



— Aligning the Vectors of All Members and Concentrating All Strengths Are Important



Tetsuo Hattori Outside Director

■ Important Issues for Future Efforts

I believe the important issues are achieving the Group Vision and reaching the goals set in the Medium-Term Management Plan. At present, various departments and areas within the Toho Gas Group are working toward realizing the Group Vision, breaking down the goals and specific action plans in alignment with the Medium-Term Management Plan. However, achieving the vision cannot be accomplished by just one department or division. It is important to share information across the entire Group, align the vectors of all members, and concentrate all strengths, and effective Group communication plays a vital role in this.

To strengthen communication, it is crucial to institutionalize the practice of swiftly relaying the discussions and decisions made in board meetings, management

conferences, departmental meetings, and the like from the respective leaders to the employees. I hope to foster a culture where all employees are aligned in their vectors and efforts.

One of the themes in the Medium-Term Management Plan is "Create diverse value" and with respect to this, it's essential to be sensitive to societal and business changes, and to incorporate customer feedback into our products and service offerings. As we reform our sales areas, I would like to promote activities that facilitate prompt communication with relevant departments and stakeholders, deriving from the voices of our customers.

Contributing to the achievement of the SDGs is also crucial. However, since implementing many SDGs at once can be challenging, we should focus on strengthening initiatives for coexistence with local communities and all work together as employees to steadily address prioritized challenges.

The world is constantly changing in a global and rapidly fluctuating manner, and the future remains uncertain. Sensing and being responsive to the changes in economic activity, I want to face these changes without fear, stay grounded, take a patient and composed approach, and embrace a sense of urgency as we venture into new initiatives.

■ Assessing the Effectiveness of the Board of Directors

In this rapidly changing era, the Board of Directors engages in valuable discussions within an atmosphere that encourages open expression. In the future, I believe it would be beneficial to have opportunities for discussion

on the progress, challenges, and concerns related to themes, projects, and other matters addressed in the management plan, categorized by theme and project.

■ My Experience, Expertise, and the Role of Outside Directors

I have been primarily responsible for product planning, development, and technical planning and development. When we develop new products or introduce new technologies to the world, our fundamental principle is to ensure that our customers don't encounter any inconvenience. Throughout each step of the development process (planning, design, prototyping, pilot production, and mass production), we meticulously check and evaluate everything from the materials used to the functionality and performance of the product, making sure it can adapt to various environments (usage environments and usage conditions), ensuring that nothing was overlooked in the development process. While this has been both enjoyable and challenging for me as a developer, there have also been grueling times.

Looking ahead, Toho Gas is likely to introduce a diverse range of new products and technologies, including energy and service equipment related to decarbonization. For any company, earning reliability lies not only in the technical aspects of its products but also in its commitment to ESG management. Building upon the tradition of "safe and secure Toho Gas" cultivated over its long history, I aspire to contribute my experiences, meager though they are, and join forces with everyone to create a trusted brand for a new era.

Messages from Outside Directors

— From an Objective Standpoint, Contributing to Governance Reform and the Sustainable Growth of Business



Michiyo Hamada Outside Director

■ Important Issues for Future Efforts

Carbon neutrality (CN) is a significant global-level objective, and for Toho Gas, as an energy operator, it represents the most critical challenge worth pursuing wholeheartedly. The turbulent energy environment on a global scale, and we must inject capital and human resources into strengthening research and development as well as our supply capabilities with a heightened sense of crisis and mission. On the sales front, we need to make innovative strides that can lead customer needs toward CN objectives.

Additionally, "Contribute to the SDGs," one of the action themes of the Medium-term Management Plan, means that Toho Gas will do its best to facilitate the smooth transition of industries and lifestyles toward CN in the region. This

endeavor is pivotal for realizing a sustainable society and also constitutes the core of our social contributions.

Throughout our business operations, it is essential to be fully attentive to such social issues as respecting human rights, promoting diversity, and supporting the employment of people with disabilities.

It is also important to boldly embrace fair market competition, enhance business profitability, and earn favorable evaluations from shareholders and investors. Additionally, alongside our efforts for CN-related research and development and contributing to sustainable development in the region and for humanity as a whole, we should strive to maintain an appropriate balance between growth investments and shareholder returns. We also must remember to ensure that our employees enjoy a fulfilling and supportive working environment that rewards their challenges and personal growth.

■ Assessing the Effectiveness of the Board of Directors

With respect to the evaluation of the effectiveness of the Board of Directors, the Corporate Governance Code has become a significant driving force. Many companies, including Toho Gas, are continually working on analyzing and evaluating the effectiveness of their boards, leading to a sustainable improvement in board functionality.

We have been conducting annual surveys and aggregating evaluations from all directors and auditors, and based on analysis of these, we have steadily improved the effectiveness of the Board of Directors. I am pleased that recently, opportunities for real on-site inspections by

outside officers and face-to-face discussions have increased, thanks to the waning of the pandemic.

■ My Experience, Expertise, and the Role of Outside Directors

As a corporate law scholar, I have conducted research for over half a century, focusing on the evolution of Japan's corporate system and comparing it with systems in various other countries. Throughout this time, I have continued to offer suggestions for legislative and legal interpretation improvements. In recent years, the role of soft laws, such as corporate governance codes, has been increasingly emphasized, and I've been attentive to this trend from a legal scholar's perspective. In my current position as an Outside Director, I have been given the opportunity to be involved in Toho Gas's corporate management, allowing me to gain firsthand experience in the progress of governance reform. Leveraging this valuable direct experience in both my role as a corporate legal scholar and as a director, I am committed to effectively fulfilling the supervisory role expected of directors with respect to execution of operations. I intend to contribute to the further advancement of governance reform and the sustainable growth of our company by consistently expressing my opinions from an independent and objective standpoint to the management side.

Furthermore, I believe it is crucial to focus on enhancing the work environment and job satisfaction for each employee in their respective workplaces, and I especially intend to closely monitor the degree of progress in cultivating a culture of legal compliance and promoting women's active participation.

—Leveraging My Experience as a Tech Specialist and Business Leader for Toho Gas's Management



Taku Oshima Outside Director

■ Important Issues for Future Efforts

The world is already moving towards the 2050 carbon neutrality (CN) goal. Toho Gas has clearly outlined its vision for 2050 and what to aim for in the mid-2030s as part of the Group Vision, but the most crucial challenge is how we will proceed to achieve it. The Vision's realization will not be easy, and it largely depends on the collective efforts of our employees. Individuals must each clearly recognize their roles and show a proactive attitude in facing challenges, and as management, we need to provide a clear action plan and followup. I consider staying attuned to technological advancements in the world and being flexible to make adjustments when necessary are vital aspects.

In the pursuit of "Promote carbon neutrality," our

Medium-term Management Plan focuses on promoting low-carbon and decarbonization efforts in the short term, as well as exploring future decarbonization of gas itself through technological development. Fuel conversion to city gas, which is connected to CN support for our customers, and supplying carbon-neutral LNG are advancing. We have also embarked upon research and development on key technologies for CN realization, such as combustion technology for hydrogen utilization and the evaluation of CO₂ separation and capture. We eagerly await the establishment of these new technologies.

Last year marked our centennial anniversary, and with our Group Vision in place for the future, we stand on a new starting point. We now have clear directions and defined tasks to accomplish, and the challenge lies in how we face them and turn them into results.

I had the opportunity to visit Israel, a startup powerhouse leading the world. I saw with my own eyes the remarkable advancement being made by Israel, a nation composed of the Jewish people, who elsewhere are in the minority. Their progress is founded on a historical sense of urgency, which drives unwavering dedication to education and a thirst for learning. Their approach revolves around developing technologies and software with a global perspective in mind, always aiming for international relevance. The future of Toho Gas will be upheld by the individual strengths of each employee, and it is crucial to extract the maximum capabilities from everyone and ensure a management approach where each individual excels in their respective field. I am determined to collaboratively establish such a framework.

■ Assessing the Effectiveness of the Board of Directors

The current resolution and reporting items in the Board of Directors are appropriately set, and I feel that open discussions and exchanges of opinions take place during the meetings. Previously, apart from daily performance reports, most of the discussions were on individual approval cases, but we can expect the need for more followup on important themes in the future. I would like to have regular exchanges of opinions with the executive team on the themes addressed by the Board of Directors.

■ My Experience, Expertise, and the Role of an Outside Director

I come from a company engaged in the manufacturing and sales of ceramics, a completely different industry from Toho Gas, which is involved in infrastructure businesses. However, despite the fact that the companies handle different business areas, the fundamental principles and approaches towards work remain common. As someone with experience as a tech specialist and an entrepreneur, I hope to contribute, even in a small way, by applying the knowledge and insights gained from my successes and failures to Toho Gas's management.