

## Materiality

Utilizing the Global Reporting Initiative (GRI) Standards\*, the international benchmark for sustainability information disclosure, we extracted individual issues in line with the expectations of our stakeholders and the Toho Gas Group Vision.

The extracted issues were evaluated in terms of their economic and social values, and after an exchange of opinions with relevant agencies, the materiality was identified by the Management Committee and Board of Directors.

\* These are standards for sustainability information disclosure published by the Global Reporting Initiative (GRI), an international NGO.

### Materiality identification process

#### Step 1

#### Extraction of individual issues

Based on details for consideration in the process of formulating the Group Vision, evaluation items of ESG evaluation agencies, expectations from stakeholders, and other factors, potential individual issues were identified, discussed in meetings with each department, and then 30 individual issues were extracted.

#### Step 2

#### Organization and evaluation of extracted individual issues

Materiality candidates were examined in a workshop based on the individual issues extracted in step 1. To achieve a sustainable society and the new Toho Gas Group Vision, we mapped out individual issues along two axes based on their social and economic values. Issues with common elements were then grouped together.

#### Step 3

#### Identification of materiality

Discussions were held on the issues grouped in step 2, and they were organized into a draft materiality plan. Materiality was then identified by the Management Committee and Board of Directors.

Issues and goals in implementing the materiality were brought in line with the Medium-Term Management Plan 2022–2025.

### Identified materiality and their related SDGs

#### Promote carbon neutrality



#### Provide diverse energy and services



#### Supply energy in a safe, secure, and stable manner



#### Contribute to the community by resolving social issues



#### Enhance work satisfaction and ease of work, and promote diversity



#### Strengthen compliance and governance



Materiality	Action Issues	Targets (for FY2025)	FY2023 Results	Main Reference Pages
Promote carbon neutrality	<ul style="list-style-type: none"> <li>Promote low carbon and decarbonization at gas customer locations</li> <li>Contribute to a reduction of cumulative CO<sub>2</sub> emissions in society as a whole</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to CO<sub>2</sub> reduction: 1 million tonnes</li> <li>Reduce CO<sub>2</sub> emissions intensity in business activities by 2% per year</li> </ul>	<ul style="list-style-type: none"> <li>Reduced CO<sub>2</sub> emissions by 390,000 tonnes</li> <li>Reduced CO<sub>2</sub> emissions intensity in business activities by 2.4% year on year</li> <li>Began operation of jointly developed gas differential pressure power generation system at Yokkaichi Works</li> <li>Launched business to create and utilize J-credits using ENE FARM residential fuel cell systems</li> </ul>	<p>pp. 19–20 pp. 53–54 p. 34 p. 36</p>
	<ul style="list-style-type: none"> <li>Develop technologies to decarbonize gas itself</li> </ul>	<ul style="list-style-type: none"> <li>Promote development and verification of CO<sub>2</sub> separation and capture and methanation</li> </ul>	<ul style="list-style-type: none"> <li>Began e-methane production demonstrations using biogas-derived CO<sub>2</sub></li> <li>“Regional Carbon Recycling Project Using CO<sub>2</sub> Concrete Fixation Technology” was selected for commercialization support in Aichi Prefecture</li> <li>Agreement reached on the establishment of e-NG Coalition, an international alliance for e-methane</li> <li>Signed various contracts and memorandums of understanding for the commercialization of e-methane and CCS</li> </ul>	pp. 20–24
	<ul style="list-style-type: none"> <li>Build a foundation to expand the use of hydrogen</li> </ul>	<ul style="list-style-type: none"> <li>Establish a firm position as a regional hydrogen supplier</li> </ul>	<ul style="list-style-type: none"> <li>Constructed a hydrogen production plant at Chita-Midorihamma Works (operation to begin in June 2024)</li> <li>Agreement reached on collaboration with Taiyo Nippon Sanso Corporation for hydrogen business at Chita-Midorihamma Works</li> </ul>	pp. 24–25
	<ul style="list-style-type: none"> <li>Promote low carbon and decarbonization of electricity</li> </ul>	<ul style="list-style-type: none"> <li>Increase volume of renewable energy sources handled to 250,000 kW</li> </ul>	<ul style="list-style-type: none"> <li>Increased volume of renewable energy sources handled to 120,000 kW</li> <li>Demonstrated “Waketoku,” a new electric power service using residential storage batteries</li> <li>Launched the “Toho Gas Kurashi no Denchi” service for residential solar power generation</li> </ul>	pp. 25–26
Provide diverse energy and services	<ul style="list-style-type: none"> <li>Develop as a total energy provider</li> <li>Expand domestic and international energy-related business</li> </ul>	<ul style="list-style-type: none"> <li>Achieve 3 million city gas, LPG, and electricity customers</li> </ul>	<ul style="list-style-type: none"> <li>Reached 3 million energy customers (1.75 million city gas customers, 620,000 LPG customers, and 640,000 electricity customers)</li> <li>Participated in commercial natural gas sales business in Southeast Asia (Singapore)</li> </ul>	pp. 27–28 p. 32
	<ul style="list-style-type: none"> <li>Provide value through services that enrich lives and support business</li> </ul>	<ul style="list-style-type: none"> <li>Increase digital contact membership to 1.3 million</li> <li>Launch about 10 new services each year</li> </ul>	<ul style="list-style-type: none"> <li>Increased digital contact membership to 1.08 million</li> <li>Launched 9 new services</li> <li>Launched “Toho Gas Kurashi” brand (October 2023)</li> </ul>	pp. 33–34 p. 28
Supply energy in a safe, secure, and stable manner	<ul style="list-style-type: none"> <li>Promote security measures and disaster preparedness</li> </ul>	<ul style="list-style-type: none"> <li>Maintain zero serious accidents</li> <li>Strengthen security measures and disaster preparedness</li> </ul>	<ul style="list-style-type: none"> <li>Maintained zero serious accidents</li> <li>Promoted advanced measures against aging (updated LNG plant control system and implemented measures for aging pipes)</li> </ul>	p. 29
	<ul style="list-style-type: none"> <li>Ensure stable procurement at a reasonable price</li> </ul>	<ul style="list-style-type: none"> <li>Diversify procurement sources</li> </ul>	<ul style="list-style-type: none"> <li>Built LNG procurement portfolio that is resilient to environmental changes</li> <li>Introduced grid storage battery that contributes to stable supply of electricity (full-scale operation to begin in FY2025)</li> </ul>	p. 31
Contribute to the community by resolving social issues	<ul style="list-style-type: none"> <li>Strengthen initiatives to coexist with the local community</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen initiatives to coexist with the local community to solve social issues and improve resilience</li> <li>Implement activities that contribute to SDGs in collaboration with the community and education related to SDGs for the next generation</li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive partnership agreements have been concluded with two local governments, bringing the total to eight agreements with local governments.</li> <li>Business partnership for the development of high-performance biochar “Soratan”</li> </ul>	<p>p. 36 p. 35</p>
	<ul style="list-style-type: none"> <li>Promote CSR procurement</li> </ul>	<ul style="list-style-type: none"> <li>Confirm procurement status and promote CSR procurement in collaboration with related parties</li> </ul>	<ul style="list-style-type: none"> <li>Provided support activities for school education (special classes at schools, Gas Energy Exhibition Hall)</li> </ul>	p. 60
	<ul style="list-style-type: none"> <li>Promote resource recycling</li> </ul>	<ul style="list-style-type: none"> <li>Achieve a recycling rate of 99% or higher for waste generated from gas pipeline construction</li> </ul>	<ul style="list-style-type: none"> <li>Announced our CSR procurement policy and guidelines</li> <li>Conducted questionnaire survey of business partners on their CSR activities</li> <li>Maintained our partnership building declaration</li> </ul>	p. 70
	<ul style="list-style-type: none"> <li>Biodiversity conservation</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to maintaining and restoring biodiversity through business activities and regional activities, conserving satoyama and forests, and protecting local species</li> </ul>	<ul style="list-style-type: none"> <li>Achieved a recycling rate of 99.6% for waste generated from gas pipeline construction</li> </ul>	p. 55
Enhance work satisfaction and ease of work, and promote diversity	<ul style="list-style-type: none"> <li>Human resource management</li> </ul>		<ul style="list-style-type: none"> <li>Expanded opportunities for challenge and growth through exchanges with other industries, such as joint training with other industries and placement at outside companies</li> <li>Held lectures led by outside instructors for younger employees (TOHO MEETUP)</li> </ul>	pp. 61–62
	<ul style="list-style-type: none"> <li>Diversity and inclusion</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>Achieved a 3.4% female manager ratio (26 female managers), 72.6% gender pay gap, 36.4% career employment ratio (51 people), and 2.53% employment rate of persons with disabilities</li> </ul>	pp. 62–63
	<ul style="list-style-type: none"> <li>Realize flexible workstyles</li> </ul>		<ul style="list-style-type: none"> <li>Introduced a side job system and relaxed the dress code</li> <li>Received Platinum Kurumin certification for our outstanding support for childcare</li> </ul>	p. 64
	<ul style="list-style-type: none"> <li>Safety and health management</li> </ul>		<ul style="list-style-type: none"> <li>Recognized as a Certified Health &amp; Productivity Management Outstanding Organization 2024</li> </ul>	p. 68
Strengthen compliance and governance	<ul style="list-style-type: none"> <li>Promote risk management and strengthen information security</li> </ul>		<ul style="list-style-type: none"> <li>Held workplace meetings focusing on everyday job-related risks</li> <li>Conducted training for scenarios where the core system is under cyber attack</li> </ul>	pp. 75–76
	<ul style="list-style-type: none"> <li>Promote compliance</li> </ul>	<ul style="list-style-type: none"> <li>Share and raise awareness about compliance and risk detection throughout the organization</li> </ul>	<ul style="list-style-type: none"> <li>Strengthened measures related to compliance with the Antimonopoly Act</li> <li>Enhanced education through regular streaming and library archiving of compliance training videos</li> <li>Promoted utilization of Compliance Consultation Service</li> </ul>	pp. 77–78