

Basic Concept

The management philosophy of the Toho Gas Group is to attain steady growth and contribute to the development of 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 customers, local communities, shareholders, investors, 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.

You can view our Corporate Governance Report on our website (Japanese only).

Corporate Governance Organization

Board of Directors, Management Committee

Our Board of Directors comprises nine 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 or 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.

Outside Directors; Outside Audit and Supervisory Board Members

Outside Directors and Outside Audit and 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. Because the two Outside Directors and three Outside Audit and Supervisory Board Members have no special interest with the Company, it has been determined that no conflict of interest exists or will arise with shareholders. Consequently, the Company designated them "independent directors," as defined by securities exchanges.

It is judged that objectivity and neutrality in the supervision of corporate management are guaranteed through operation of supervising and auditing functions of the Company under the respective roles played by Outside Directors and Audit and Supervisory Board Members including Outside Members.

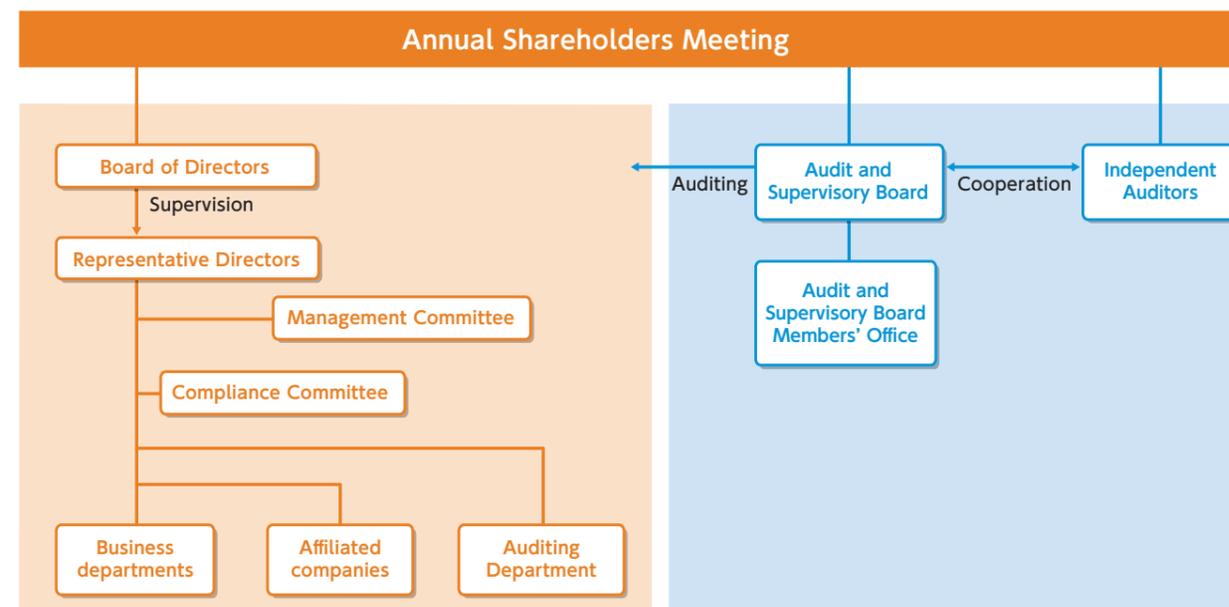
	Name	Reason for selection	Attendance	
			Board of Directors	Audit and Supervisory Board
Outside Directors	Koji Miyahara	We have determined that his abundant experience as a corporate manager provides him with strong insight to offer valuable opinions on management overall.	12/12	—
	Tetsuo Hattori	We have determined that his abundant experience as a corporate manager provides him with strong insight to offer valuable opinions on management overall.	12/12	—
Outside Audit and Supervisory Board Members	Michiyo Hamada	We have determined that her abundant experience as a corporate legal scholar and as a member of the Fair Trade Commission Committee provides her with strong insight to offer valuable opinions on management overall.	12/12	12/12
	Tamotsu Kokado	We have determined that his abundant experience as a corporate manager provides him with strong insight to offer valuable opinions on management overall.	10/12	11/12
	Norikazu Koyama	We have determined that his abundant experience in police administrative agencies provides him with strong insight to offer valuable opinions on management overall.	10/10*	10/10*

*Audit and Supervisory Board Member Mr. Koyama has attended since his appointment in June 2017

Audit and Supervisory Board

The Audit and Supervisory Board comprises five Audit and Supervisory Board Members, including three Outside Members. Each Audit and Supervisory Board Member monitors the execution of duties assigned to Directors by attending important meetings of the Company including meetings of the Board of Directors, reading important approval documents and visiting business offices. Each Audit and Supervisory Board Member also attends meetings of the Audit and Supervisory Board, convened on a monthly basis, for information sharing. The Company has set up the Audit and Supervisory Board Members' Office where full-time staff have been deployed to assist Members in the execution of their duties.

■ Corporate Governance Organizational Chart



■ Corporate Governance Organization

Number of Directors (Outside Directors)	9(2)
Number of Audit and Supervisory Board Members (Outside Members)	5(3)
Number of Board of Directors' meetings (FY2017)	12
Number of Audit and Supervisory Board Meetings (FY2017)	12
Term of office of Directors	1 year
Performance-based remuneration	Yes

Evaluation of Effectiveness of Board of Directors

We survey all Directors and Audit and Supervisory Board Members for evaluation purposes, and report the evaluation results to the Board of Directors to ensure the effectiveness of the Board of Directors. We will continue making improvements based on opinions received from the survey and thereby endeavor to further improve its effectiveness.

Director Remuneration

Director remuneration is based on their roles and responsibilities and on Company performance. It is set at an appropriate amount taking into consideration the remuneration level of employees and compensation levels at other companies.

Director remuneration consists of basic remuneration and bonuses. Basic remuneration is set by resolution of the Board of Directors, with the advice of Outside Officers, within the range of the remuneration determined at the Annual Shareholders Meeting. Bonuses are set by resolution of the Board of Directors, with the advice of Outside Officers, after determining the total amount to be paid by resolution at the Annual Shareholders Meeting.

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 it 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" and can be viewed on our website (Japanese only).

Resolution of the Board of Directors on the Internal Control System

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
3. Compliance system [P52](#)
4. Affiliated companies business management system
5. Audit system

Risk Management

Risk Management System

Based on Risk Management Rules, we have assigned a department to manage each risk and work systematically to reduce risks. Each fiscal year, the Management Committee reviews the status of the Group's risk management and reports to the Board of Directors.

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 an effort to ensure stable supply, safety and security. In addition, important management issues are also deliberated from the perspective of risk management and measures are strengthened or reformed based on the opinions of the Management Committee and Board of Directors.

In order to maintain the supply of city gas, which is an essential part of daily life, we have established a BCP and continuously implement drills in anticipation of a large-scale disaster [P20](#). Furthermore, we strive to strengthen our cooperation with affiliated companies and partner companies.

■ Operation during emergencies

Occurrence of emergencies such as large scale earthquakes

Operations to maintain supply	Procurement of energy resources, gas production, supply adjustment, etc.
Emergency response operations (initial response)	Prevention of secondary disasters, emergency security operations (responding to leaks, repairs), etc.
Emergency response operations (recovery work)	Repair of pipelines, gas equipment safety checks, commencement of gas supply, etc.
Minimum maintenance of operations	Financing, settlement of accounts, system maintenance management, meter reading, transportation pipeline patrols, etc.

Management of Affiliated Companies

Centered on the Internal Control Department, established in FY2017, we support the development of internal control systems at affiliated companies, in an effort to strengthen internal control systems Group-wide.

We receive regular reports from major affiliated companies, based on our affiliated companies management regulations, regarding fiscal plans, settlement of account, operations, and status of activities related to internal control.

Affiliated companies make decisions and report important matters at the Board of Directors based on the rules of the Board of Directors at each company.

Response to the Financial Instruments and Exchange Act

In order to respond to the "System to Report Evaluation of Internal Controls over Financial Reports" under the Financial Instruments and Exchange Act, the relevant departments and affiliated companies conduct self-checks as to whether internal rules and check mechanisms are in place and operating appropriately. In addition, the Auditing Department, the organization charged with internal auditing, conducts evaluations and is itself audited by an external auditing company. In FY2017, we again confirmed through this process that internal control over the Group's financial reporting was effective and we submitted our internal control report to the Financial Services Agency.

Internal Auditing

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

Basic Concept

For Toho Gas Group, compliance includes complying with laws and internal regulations, action based on good sense and ethics, and meeting the expectations of customers and society. By ensuring thorough implementation of the Corporate Code of Ethical Conduct and the Compliance Code of Conduct that embodies it, we hope that each employee will live up to the trust of customers and strive to contribute to development of the community.

Corporate Code of Ethical Conduct (extract)

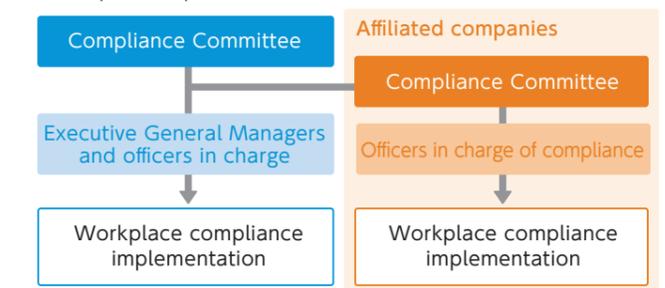
Toho Gas Group aims to be a corporate group that is always trusted by customers, shareholders, the local communities and business partners. We observe laws and regulations and the spirit of the law, respecting the good sense and ethics of society, undertaking sincere and fair corporate activities, whereby we contribute to the local communities. In addition, we promote timely and appropriate disclosure of information, actively communicate with concerned parties, coexistence and coprosperity.

Compliance System

Toho Gas has a Compliance Committee which is chaired by the president comprising the Executive General Manager of each division, labor union representatives and others. Committee meetings are held twice a year in principle, deliberating compliance action plans and results. Each department's head is responsible for promoting compliance in each workplace, and the managers and office chiefs take responsibility for implementation of compliance activities.

Each affiliated company has appointed officers in charge of compliance, has established a Compliance Committee, and proactively promoting compliance.

■ Compliance system chart



Consultation Service (Whistleblowing Hotline)

Toho Gas Group has established a compliance consultation service (internally and externally at a law firm), to provide consultation points regarding Group compliance. The service is available for Group employees (including dispatch staff) as well as ex-employees and business partners. During FY2017 they handled 24 consultations.

Education and Enlightenment Activities

We held antitrust law lectures and consumer law seminars for Group executives, compliance awareness training for chiefs, and labor management training for managers at affiliated companies.

We also hold compliance meetings at each workplace and issue "Compliance NEWS" regularly.



Compliance awareness training

Inspection and Survey Activities

We conduct inspections at all Group workplaces to ensure compliance with laws and internal regulations. We also conduct annual attitude surveys for all employees on compliance and the workplace environment, and reflect the results in our compliance action plan.

Protection of Personal Information

Based on the Act on the Protection of Personal Information and various guidelines, Toho Gas has established a personal information protection policy, personal information protection regulations and other internal regulations and manuals, implements safety control measures and endeavors to handle personal information appropriately.

Our personal information protection system consists of the Personal Information Protection Committee chaired by the Personal Information Protection Supervisor (an executive appointed by the president) comprising persons responsible for protection of each type of information (customer, shareholder, employee, etc.) The Committee deliberates the activity plan and results of personal information protection activities.

We regularly conduct self audits of the management situation at all Group workplaces and share information and issues warnings through the company intranet. We also strive to ensure the security of information systems by restricting access to personal information and preventing unauthorized access from the Internet.

Board of Directors and Audit &

Supervisory Board Members (as of June 30, 2018)

Directors

Representative Director, Chairman

Koichi Yasui



Apr.1976 Joined Toho Gas
 Jun.2000 General Manager of Commercial Energy Sales Department
 Jun.2006 Executive Officer, General Manager of Commercial Energy Sales Department
 Jun.2008 Director, Managing Executive Officer, Deputy Executive General Manager of Gas Sales Division (Representative for Industrial & Commercial) and General Manager of Large Volume Sales Department
 Jun.2010 Director, Senior Managing Executive Officer, Deputy Executive General Manager of Gas Sales Division (Representative for Industrial & Commercial) and General Manager of Large Volume Sales Department
 Jun.2011 Director, Senior Managing Executive Officer, General Manager and Deputy Executive General Manager of Gas Sales Division (Representative for Industrial & Commercial) and General Manager of Large Volume Sales Department
 Jun.2012 Representative Director, President
 Jun.2016 Representative Director, Chairman (current position)

Representative Director, President

Yoshiro Tominari



Apr.1981 Joined Toho Gas
 Jun.2003 General Manager of Production Planning Department
 Jun.2006 General Manager of Corporate Planning Department
 Jun.2009 Executive Officer, General Manager of Corporate Planning Department
 Jun.2010 Executive Officer, Executive General Manager of Research & Development Division
 Jun.2011 Managing Executive Officer, Executive General Manager of Production Division
 Jun.2012 Director, Managing Executive Officer, Executive General Manager of Production Division
 Jun.2013 Director, Managing Executive Officer
 Jun.2015 Director, Senior Managing Executive Officer
 Jun.2016 Representative Director, President (current position)

Representative Director, Executive Vice President

Shinji Niwa



Apr.1979 Joined Toho Gas
 Jun.2004 General Manager of Public Relations Department
 Jun.2008 General Manager of Finance Department
 Jun.2010 Executive Officer, General Manager of Finance Department
 Jun.2012 Managing Executive Officer, Executive General Manager of Residential Gas Sales Division
 Jun.2014 Director, Managing Executive Officer, Executive General Manager of Residential Gas Sales Division
 Jun.2015 Director, Senior Managing Executive Officer
 Jun.2016 Representative Director, Executive Vice President (current position)

Director, Senior Managing Executive Officer

Takayasu Hayashi



Apr.1979 Joined Toho Gas
 Apr.2006 General Manager of Home Systems & Appliance Sales Department
 Jun.2007 General Manager of Residential Sales Channel Department
 Jun.2008 General Manager of Residential Sales Planning Department
 Jun.2009 General Manager of General Affairs Department
 Jun.2010 General Manager of Secretarial Department
 Jun.2012 Executive Officer, General Manager of Secretarial Department
 Jun.2014 Managing Executive Officer
 Jun.2015 Managing Executive Officer, Executive General Manager of Residential Gas Sales Division
 Jun.2016 Director, Managing Executive Officer, Executive General Manager of Residential Gas Sales Division
 Jun.2017 Director, Senior Managing Executive Officer (current position)

Director, Managing Executive Officer

Katsuhiko Ito



Apr.1982 Joined Toho Gas
 Jun.2008 General Manager of Public Relations Department
 Jun.2010 General Manager of Corporate Planning Department
 Jun.2013 Executive Officer, General Manager of Corporate Planning Department
 Jun.2014 Executive Officer, Executive General Manager of Distribution Division
 Jun.2016 Director, Managing Executive Officer, General Manager of Distribution Division
 Jun.2017 Director, Managing Executive Officer (current position)

Director, Managing Executive Officer

Mitsuhiro Kodama



Apr.1982 Joined Toho Gas
 Apr.2007 General Manager of Gas Resources Department
 Jun.2013 Executive Officer, General Manager of Gas Resources Department
 Jun.2014 Executive Officer, General Manager of Corporate Planning Department
 Jun.2016 Managing Executive Officer
 Jun.2017 Director, Managing Executive Officer (current position)

Director, Managing Executive Officer

Shinichi Senda



Apr.1982 Joined Toho Gas
 Jun.2006 General Manager of East Nagoya District Headquarters
 Jun.2009 General Manager of Residential Sales Planning Department
 Jun.2011 General Manager of Personnel Department
 Jun.2014 Executive Officer, General Manager of Gas Resources Department
 Jun.2017 Managing Executive Officer
 Jun.2018 Director, Managing Executive Officer (current position)

Outside Director

Koji Miyahara



Apr.2004 Representative Director, President, Corporate Officer of Nippon Yusen Kabushiki Kaisha
 Apr.2006 Representative Director, President, President Corporate Officer of Nippon Yusen Kabushiki Kaisha
 Apr.2009 Representative Director, Chairman, Chairman Corporate Officer of Nippon Yusen Kabushiki Kaisha
 Apr.2015 Director, Board Counselor of Nippon Yusen Kabushiki Kaisha
 Jun.2015 Board Counselor of Nippon Yusen Kabushiki Kaisha (current position)
 Director of Toho Gas (current position)

Outside Director

Tetsuo Hattori



Jun.2008 Representative Director and President of Kanto Auto Works, Ltd. (current Toyota Motor East Japan, Inc.)
 Jun.2012 Senior Advisor of Kanto Auto Works, Ltd. (current Toyota Motor East Japan, Inc.)
 Jul.2012 Senior Advisor of Toyota Motor East Japan, Inc.
 Jun.2015 Director of Toho Gas (current position)
 Jun.2016 Honorary Advisor of Toyota Motor East Japan, Inc.
 Mar.2018 Retired Honorary Advisor of Toyota Motor East Japan, Inc.

Audit & Supervisory Board Members

Audit & Supervisory Board Member

Osamu Nakamura



Apr.1989 Joined Toho Gas
 Oct.2005 General Manager of Solution Engineering Department
 Jun.2009 Executive Officer, General Manager of Distribution Planning & Management Department
 Jun.2011 Director, Managing Executive Officer, Executive General Manager of Distribution Division
 Jun.2014 Director, Managing Executive Officer, Executive General Manager of Research & Development Division
 Jun.2015 Director, Senior Managing Executive Officer, Executive General Manager of Research & Development Division
 Jun.2016 Representative Director, Executive Vice President, Executive General Manager of Production Division
 Jun.2018 Audit & Supervisory Board Member (current position)

Audit & Supervisory Board Member

Hiroshi Yamazaki



Apr.1982 Joined Toho Gas
 Oct.2006 General Manager of Fundamental Research Department
 Oct.2009 General Manager of Auditing Department
 Jun.2013 Audit & Supervisory Board Member (current position)

Outside Audit & Supervisory Board Member

Michiyo Hamada



Apr.1985 Professor, Nagoya University School of Law
 Apr.1999 Professor, Graduate School of Law at Nagoya University
 Apr.2008 Dean, Nagoya University Law School
 Apr.2009 Professor Emeritus, Nagoya University (current position)
 Member of the Fair Trade Commission
 Mar.2014 Retired from the Commission
 Jun.2014 Audit & Supervisory Board Member of Toho Gas (current position)

Outside Audit & Supervisory Board Member

Tamotsu Kokado



Jun.2009 Representative Director, Deputy President of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.)
 Jun.2012 Standing Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.)
 Jun.2015 Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.) (current position)
 Audit & Supervisory Board Member of Toho Gas (current position)

Outside Audit & Supervisory Board Member

Norikazu Koyama



Aug.2008 Chief, Aichi Prefectural Police Headquarters
 Jan.2010 Vice President of National Police Academy and Councilor of Commissioner General's Secretariat of National Police Agency (in charge of Criminal Affairs Bureau)
 Jan.2012 Director General of Chubu Regional Police Bureau
 Apr.2013 Director General of Kanto Regional Police Bureau
 Sep.2014 Councilor of Japan Police Personnel Cooperative
 Dec.2014 Senior Director of Japan Police Personnel Cooperative
 Jun.2017 Senior Director of Council for Public Policy (current position)
 Audit & Supervisory Board Member of Toho Gas (current position)