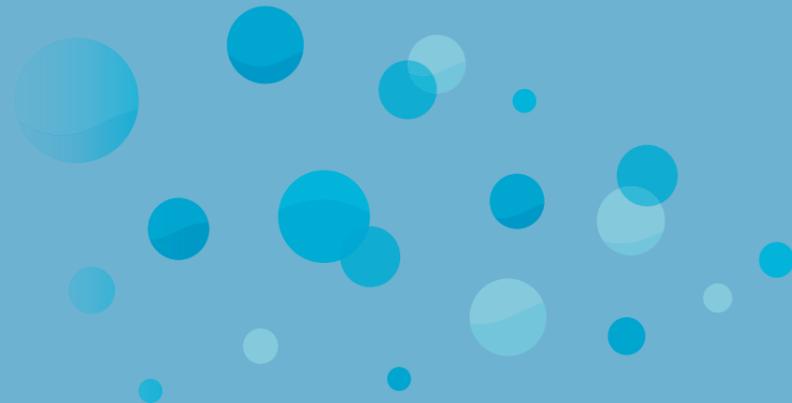




TOHO GAS CO.,LTD.

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<https://www.tohogas.co.jp/lang-n/en/corporate/>



Integrated
Report
2021

The following considerations have been applied to reduce the environmental impact.



Corporate Philosophy

Corporate Mission

We, together with our Group companies, are dedicated to the creation of a rich and exciting life and the development of attractive and vital communities by setting our greatest value on the trust placed in us.

Management Policy

- ◆ Think and act on a customer-first basis.
- ◆ Develop markets through foresight and technology.
- ◆ Foster human resources by focusing on competence and ambition.
- ◆ Pursue a flexible and vitalized organization.
- ◆ Broaden our vision and expand our line of business.

Employee Action Criteria

- ◆ Challenge and Innovation
- ◆ Sensitivity and Response
- ◆ Proficiency and Pride
- ◆ Activeness and Brightness
- ◆ Reliability and Honesty

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Company Overview

Editorial Policy

The Toho Gas Group has published an Integrated Report since FY2018 to replace its regular Annual Report and Environmental and Social Report. We hope that the Integrated Report will enable all stakeholders to gain a deeper understanding of the Toho Gas Group. For this reason, we have summarized our overall corporate strategy under the title of Value Creation Process, wherein we introduce our business activities and environmental, social, and governance (ESG) initiatives which specifically link to the corporate strategy. In the special features in this edition, we cover the Toho Gas Group 2050 Carbon Neutrality Initiative as an endeavor to address climate change, and our efforts to implement and use digital technologies. We publish more details of the IR and corporation as well as information on our ESG initiatives and other matters on the Toho Gas website to enable access to many stakeholders. In an effort to make this report an effective tool for communication with stakeholders, we aim to develop it further as an integrated report while reflecting feedback from all of our stakeholders.

Reporting Period FY2020(April 1, 2020–March 31, 2021) Some activities covered took place in FY2021.

Reporting Scope In principle, Toho Gas Co., Ltd., consolidated subsidiaries and equity-method subsidiaries (as of March 31, 2021) are described as "Toho Gas Group." In each report, we aim to indicate the specific organization involved in circumstances where overall Group information is not fully understood.

Descriptions of Future Expectations The statements in this report concerning future expectations are forecasts based on information currently available and may include potential risks and uncertainties. Be aware, therefore, that due to various factors, actual results may differ from forecasts contained in this report.

Reference Guidelines GRI Standards/International Integrated Reporting Council (IIRC) Framework/ISO26000/Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation/Environmental Reporting Guidelines (2018 version)/Task Force on Climate-related Financial Disclosures (TCFD) Opinions

Publishing Department CSR / Environment Dept. TEL +81-52-872-9252 Finance Dept. TEL +81-52-872-9341

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Perpetuating the Okamoto Spirit

The first president of Toho Gas, Sakura Okamoto, believed in a management philosophy that "Customers, shareholders, employees form a trinity, and the coexistence and coprosperity of such stakeholders in the company is indispensable." We strive in the practical application of this. Furthermore, we apply this way of thinking in our approach to service in social and public aspects, advocating promotion of community welfare, and integration with the local communities.

Okamoto was a manager who thought constantly about the company as a social public institution, and we continue to pass on his spirit, which forms part of the company's DNA.



Sakura Okamoto, the first President (Term of office: 1922–1935)

About the Design of the Cover

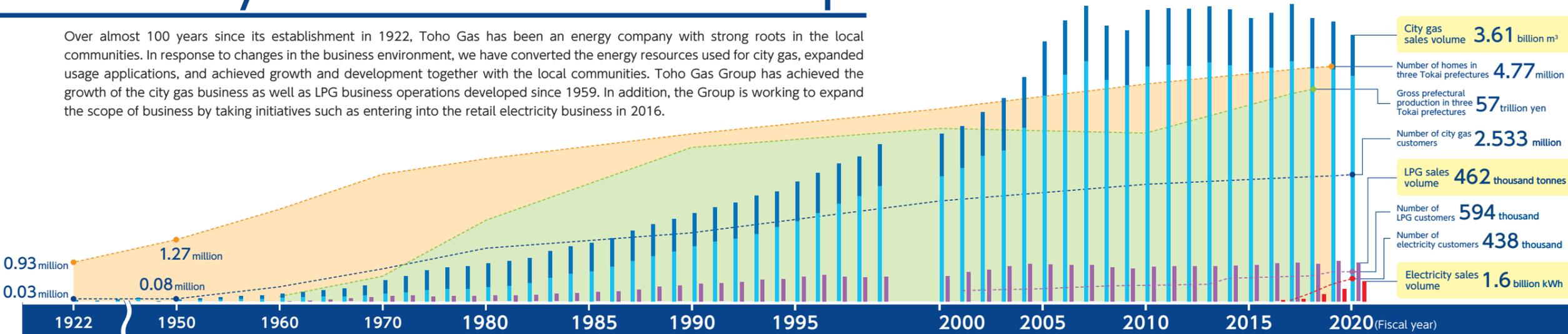
The cover of the Integrated Report 2021 was designed by the staff of Toho Flower Co., Ltd. The expanding round form that changes shape as it moves toward a new realm expresses *the spirit of challenge*. Toho Flower Co., Ltd. is a company in the Toho Gas Group established in October 2019. It aims to encourage hiring and lasting employment for persons with disabilities, thereby contributing to local communities.

* In 2019 we used straight lines giving an impression of piping to express *never-faltering sense of trust*, and in 2020, the form composed of growth curves expressed *development and a sense of stability*.



History of Toho Gas Group

Over almost 100 years since its establishment in 1922, Toho Gas has been an energy company with strong roots in the local communities. In response to changes in the business environment, we have converted the energy resources used for city gas, expanded usage applications, and achieved growth and development together with the local communities. Toho Gas Group has achieved the growth of the city gas business as well as LPG business operations developed since 1959. In addition, the Group is working to expand the scope of business by taking initiatives such as entering into the retail electricity business in 2016.



| Event | <ul style="list-style-type: none"> 1941-45 The Pacific War 1959 Ise Bay Typhoon 1973 Start of first oil crisis 1979 Start of second oil crisis 1995 Great Hanshin Earthquake 2005 Expo 2005 Aichi, Japan world exposition / Opening of Chubu Centrai International Airport 2008 Global financial crisis 2011 Great East Japan Earthquake 2020 Spread of novel coronavirus infections |
|---------------------------|--|
| Energy resources | <ul style="list-style-type: none"> Coal Petroleum Natural gas |
| Company events | <ul style="list-style-type: none"> 1922 Established with capital of 22 million yen 1910 Establishment of Okazaki Gas Co., Ltd. 1925 Establishment of Gifu Gas Co., Ltd. 1930 Establishment of Godo Gas Co., Ltd. 1942 Establishment of Mizushima Gas Co., Ltd. 1970 Start of operations at Sorami Works 1985 Establishment of Technical Research Institute 1977 Start of operations at Chita LNG Terminal Start of use of Indonesian LNG 1991 Start of operations at Yokkaichi Works 1993 Completion of conversion to natural gas 2001 Start of operations at Chita-Midorihama Works 2003 Merger of Godo Gas, Gifu Gas, and Okazaki Gas 2009 Completion of circularization of transportation trunk pipeline 2013 Completion of Cross-Ise Bay Pipeline 2016 Entry into retail electricity business 2017 Start of operations at Yokkaichi Works Power Generation 2019 Acquisition of Yamasa Co., Ltd. as a 100% subsidiary 1959 Establishment of Toho Liquefied Gas Co., Ltd. 1978 Start of conversion to natural gas (from 6C/19MJ to 13A/46MJ) 1987 Opening of Meiko LPG Terminal 1992 Opening of the Hokuriku Service Office 1993 Opening of the Takayama Service Office 2004 Acquisition of 4 companies, including Godo Liquefied Gas Co., Ltd., and Toeki Kyokyu Center as 100% subsidiaries 2005 Company name changed to Toho Liquefied Gas Co., Ltd. 2020 Opening of Hamamatsu Service Office |
| Urban Development | <ul style="list-style-type: none"> Area heating and cooling: Imaike area, Nagoya Sakae 3-chome area, Nagoya Station south area Nagoya Sakae 3-chome north area Networking of area heating and cooling in the Nagoya Station area Opening of smart town Minato AQUUS |
| Industrial/Commercial Use | <ul style="list-style-type: none"> Air Conditioning: Gas absorption water chillers (natural chillers), Gas heat-pump air conditioners (GHP), GHP XAIR, GHP XAIR II, GHP XAIR III Industrial/Commercial-use Equipment: Kilns (blast burners), Suzu-chu**5, High-efficiency hot-water boilers, Simple once-through steam boilers Cogeneration: Gas turbines, Genelite, Ultra-high-efficiency large gas engines (MACH Gas Engine), Ultra-high-efficiency large gas engines (green gas engines), 450 kW high-efficiency gas engines Industrial Furnaces: Single-end radiant-tube burners for heat treatment, Immersion-tube package burners, Package recuperative burners for aluminum-melting furnaces, Regenerative burners for heat treatment, High-efficiency single-end radiant-tube burners for heat treatment, High-efficiency immersion-tube heating burners for aluminum melting and holding furnaces |
| Residential Use | <ul style="list-style-type: none"> Eco Stations, Natural gas trucks, Hydrogen Station, Toyota Ecoful Town Hydrogen Station Gas clothes dryers, Gas rice cookers with microwave warmers, Gas fan heaters, Heaters and water heaters, Floor heaters, Bath-room heater/dryers, Gas fan heaters with air purifiers Eco-JOES, Mist-type bath-room heater/dryers, Si sensor gas stoves, ENE FARM, IT Implementation in Gas Equipment, Gas stoves, ENE FARM type S |

Strengths of the Toho Gas Group

Ties with Customers

Our proximity to customers in various opportunities based on the relationships of trust that have been developed over almost 100 years

Efforts to Support the Lives of People and Businesses in the Region

P27-30

Contribution to the Local Communities

P54-58

Foundational Security Systems and Resilience

Security and safety which we have formed as the basis of gas business for years

Offering products and security services that provide enriched lives as well as safety and peace of mind

P29

Secure Stable Supply and Safety

P31-32

Excellent Products and Services

Technologies that enable high-degree application and efficient use of natural gas, our core product, along with taking up the challenge of achieving carbon neutrality

Taking Up the Challenge of Achieving Carbon Neutrality

P19-25

Efforts in the Use of Digital Technologies

P26-28

Promotion of Technical Development

P37

Global Warming Countermeasures

P46-48

Potential Growth of the Region

Manufacturing is a strength of the three Tokai prefectures where the company does business, accounting for 20% of the monetary value of Japan's product shipments, making it a region with strong growth potential

Efforts to Support Manufacturing and Other Business in the Region

P30

Expanding service areas for natural gas

P32

*1 The city gas sales volume and number of customers (meters installed) are based on non-consolidated figures before FY1998 and consolidated figures since FY1999.
 *2 LPG sales volume through FY2000 is based on non-consolidated figures from Toho Liquefied Gas Co., Ltd.
 *3 Source: Number of homes in three Tokai prefectures: National Census (Ministry of Internal Affairs and Communications)

*4 Source: Gross prefectural production in three Tokai prefectures: Annual Report on Prefectural Accounts (Cabinet Office)
 *5 Suzu-chu** is a registered trademark of Osaka Gas Co., Ltd.

Message from the Top



Yoshiro Tominari
Chairman



Nobuyuki Masuda
President

We extend our greetings to all our stakeholders on the occasion of publication of this Integrated Report 2021.

First of all, we would like to extend our sincerest sympathies to all who have been affected by COVID-19. We would also like to express our admiration for the healthcare providers and others who have done their utmost to prevent the spread of infection, and offer them our deepest thanks.

In fiscal 2020, society and the economy were impacted tremendously by the spread of COVID-19. Amid such circumstances, we, as a company supporting the energy infrastructure, we fulfilled our duty of ensuring stable supply while devoting the utmost consideration to the safety of customers, employees, and their families. We are proud of each and every one of our employees, who accomplished this with high awareness. Further, in addition to the effects of COVID-19, we were exposed to violent change, such as rising prices in the wholesale electricity market as the cost of crude oil and LNG skyrocketed, but along with the recovery of the regional economy centered on manufacturing industry, but through the support of our customers and stakeholders and the accumulation of steady effort on the part of every person in the Group, even including ENEDO, gas engineering companies, and other affiliates, we were able to curtail the impact on company operations to a minimum.

Ordinary income for the fiscal year ending March 31, 2021, was sharply down 32.9% compared with the previous year, but we were able to secure profit in line with the plan announced in the first quarter, and even to affirm at an early date that dividends would be sustained. We also regard the progress under the Medium-term Management Plan, for which fiscal 2021 is the final year, to be reasonable. Sales volumes for natural gas and LPG fell short of the plan, but as regards other numerical targets, along with the electricity business, which has already attained its target, the target of a total operating cash flow of 160 billion yen or more over the three years was more than 80% reached in the second year. With respect to individual initiatives as well, domestically we participated in the planning for the privatization of Kanazawa's municipally operated gas business, and, overseas, the decision was made to take part in planning for liquification in the LNG Canada project. We also advanced development of sources of renewable electricity and augmented services that utilize the ASMITAS life service platform. In these and other ways, we made solid progress in Japan and abroad for business operations that enjoy promising outlooks.

Toho Gas announced changes in executive management at the shareholders meeting in June 2021. To provide speedy responses on the part of the company with respect to accelerating social change, we will demonstrate leadership grounded in new systems and address challenges with the unified Group behind us. We will address the matter of how we can be of use to customers and the regional community, which is the basis of the Toho Gas Group's business operations, and meet the expectations of various stakeholders through our solutions.

The basis for these efforts is our thinking behind ESG matters. To enable us to perpetuate the management philosophy of Sakura Okamoto, Toho Gas's first president, and continue to meet the expectations and trust of our stakeholders, we will press ahead with ESG management throughout the entire Group and contribute to achieving SDGs.

We ask for your continued support.

Chairman

富成 義郎

President

増田 信之

Grow with Energy-Go beyond Energy

Under the spirit of "Customer First," which has been cultivated since its foundation, the Toho Gas Group aims to support customers' lives and the manufacturing activities of companies operating in the region through energy supply, and to contribute to regional development and the creation of a low-carbon society.

INPUT

(as of March 31, 2021)

Chances and risks associated with energy liberalization

Trends in carbon neutrality

Rapid advancement and social penetration of digital technology

Depopulation, aging and diversification of values

Transformations in Behavioral Patterns under the COVID-19 Pandemic

Expected Changes in the External Environment

Procurement of energy resources

LNG Approx. **2.7** million tonnes from **5** countries

LPG Approx. **600,000** tonnes

Stable gas supply infrastructure

City gas works **3** works and a calorific value adjustment center

Pipeline length Approx. **30,000** km

LPG supply network

Meiko LPG Terminal (secondary terminal) **23** gas-filling and delivery bases

Power-generation facilities

Yokkaichi Works **16.5** MW

Amount handled of renewable energy power sources* **31** MW

* The amount handled of renewable energy power sources includes all power sources developed and owned in Japan and overseas, feed-in tariff (FIT) power generation, and procurement.

City gas service area

54 cities, **21** towns and **1** village in three prefectures of the Tokai region

Human resources

Number of employees **6,225**

Materiality

(Key Issues)

- 1 Provision of energy and related services
- 2 Ensuring safety and security, and stable supply
- 3 Contribution to local communities
- 4 Realization of a society in harmony with the environment
- 5 Reinforcement of human resources

Compliance and Governance

FY2019-FY2021 Medium-Term Management Plan

- Strategy 1 Further Growth of the City Gas Business
- Strategy 2 Development into a Total Energy Provider
- Strategy 3 Taking on New Scopes

Reinforcing the business foundation of the Toho Gas Group

City gas business LPG business Electricity business

Group businesses and new businesses

OUTPUT

| | | FY2020 results | FY2021 Medium-term Management Plan Targets |
|-------------|-----------------------|-----------------------------------|--|
| Natural gas | Number of customers*1 | 2,533 million | 2.55 million |
| | Sales volume*2 | 3.7 billion m ³ | 4.1 billion m ³ |
| LPG | Number of customers*3 | 594 thousand | 590 thousand |
| | Sales volume | 462 thousand tonnes | 535 thousand tonnes |
| Electricity | Number of customers | 438 thousand | 300 thousand |
| | Sales volume | 1.6 billion kWh | 1.0 billion kWh |

*1) Number of meters installed *2) Including LNG sales volume
*3) Including the number of customers based on commissioned business for delivery

| | FY2020 results | FY2019-FY2021 Medium-term Management Plan Targets |
|---------------------------------------|-------------------------|---|
| Operating cash flow | 64.3 billion yen | Cumulative total of 160.0 billion yen and over |
| Investment into the city gas business | 27.7 billion yen | Cumulative total of 80.0 billion yen and over |
| Investment into growth businesses | 16.7 billion yen | Cumulative total of 60.0 billion yen and over |
| ROA | 1.5 % | Average 3% and over |

| | FY2020 results | FY2019-FY2021 Target |
|---|------------------------------|------------------------------|
| Amount of reduced CO ₂ emissions at customer locations | 360 thousand tonnes*4 | 600 thousand tonnes*5 |

*4) Period cumulative value for FY2019 to FY2021 *5) 3-year cumulative value

| | FY2020 results | FY2020 Target |
|----------------------|----------------|---------------|
| Female manager ratio | 2.4 % | 2.2 % |

OUTCOME

Value provided to stakeholders

Customers P29 - 36

- I Safety and security
- I Supporting lives and manufacturing



Local communities P17 - 25 · 41 - 58

- I Contribution to creation of a low-carbon society and to carbon neutrality
- I Social contribution activities

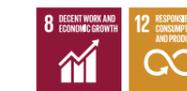


Shareholders and investors P59 · 60

- I Corporate value enhancement
- I Stable return to shareholders

Partner companies P50 · 58 · 67 - 70

- I Collaboration with subcontractors
- I Fair and unbiased transactions



Employees P61 - 66

- I Respect for human rights
- I Creation of a pleasant working environment



Sustainable Development Goals (SDGs)

The SDGs are 17 goals with 169 targets set to achieve a sustainable society.

P40

Materiality (Key Issues)

The Toho Gas Group, in moving toward "promotion of ESG management" as espoused in the Medium-term Management Plan (FY2019–FY2021), identified social issues of high importance to society (stakeholders) and the Group as materiality. We are devoting effort toward resolving social issues in line with materiality, and will continue contributing to the growth of local communities.

Materiality Identification Process

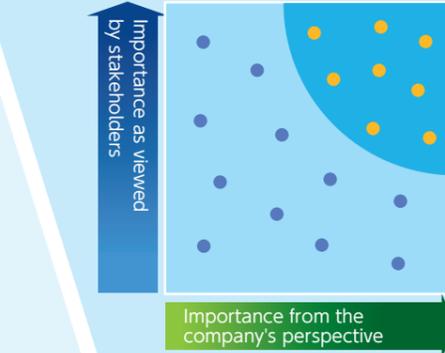
STEP 1 Analyze the Present Status

| | |
|--|--|
| International Standards (GRI Standards, ISO 26000*1, SASB*2) | Stakeholder expectations and demands (matters voiced by customers, dialog with investors, etc.) |
| SDG targets | Corporate philosophy and our Corporate Code of Ethical Conduct, Environmental Action Principles, Medium-term Management Plan |
| Evaluation items of ESG ranking organizations (FTSE*3, MSCI*4) | |

We analyzed the present status of social issues through investigation of such matters as various international criteria and stakeholder expectations and demands and analyzed the present status of the company itself in terms of our corporate philosophy and our Corporate Code of Ethical Conduct, and compiled materiality elements on the basis of the items cited in the GRI Standards.

*1 ISO 26000: International standards relating to social responsibility
 *2 SASB: Sustainability Accounting Standards Board of the U.S.A.
 *3 FTSE: FTSE Russell, subsidiaries of the London Stock Exchange Group
 *4 MSCI: Morgan Stanley Capital International

STEP 2 Rank by Priority



- Items to prioritize (items from GRI Standards)
- Economic performance
 - Indirect economic impact
 - Energy
 - Water and wastewater
 - Biodiversity
 - Atmospheric emissions
 - Wastewater and waste products
 - Occupational health and safety
 - Training and education
 - Diversity and equal opportunity
 - Local communities
 - Customer health and safety
 - Customer privacy

We weighted the results of present-status analysis, taking into account industry characteristics taken, and along the two axes of importance as viewed by stakeholders and importance from the company's perspective, we extracted from among the items indicated in the GRI Standards the issues to prioritize.

STEP 3 Identify Materiality

We organized and integrated the items thereby extracted, taking into account the Medium-term Management Plan and other such considerations, and after management-level discussion, we identified the materiality. We also established action issues in line with this materiality.

STEP 4 Disclosure and Review

We conduct reviews that cover evaluations of action performance, changes in the business environment, stakeholder views, and other matters, and make appropriate revisions. The status of efforts for last fiscal year can be viewed on our website.



<https://www.tohogas.co.jp/lang/en/approach/eco/materiality/>

| Materiality | Items in GRI Standards | Action Issues | Pages with Detailed Information | Related SDGs |
|--|---|--|---|--------------|
| Materiality 1 Provision of energy and related services | <ul style="list-style-type: none"> ● Economic performance ● Indirect economic impact | Optimal proposals for city gas, LPG, and electricity Providing community-based support Providing added value through new energy-related services Taking on new scopes | P33-34 P29-30 P30-33-34 P35-36 | |
| Materiality 2 Ensuring safety and security, and stable supply | <ul style="list-style-type: none"> ● Customer health and safety ● Customer privacy | Stable energy procurement at a reasonable price Advancing security measures and disaster measures (for manufacturing and supply) Strengthening information security | P31 P31 P28-69-70 | |
| Materiality 3 Contribution to local communities | <ul style="list-style-type: none"> ● Local communities ● Biodiversity ● Water and wastewater | Expanding service areas for city gas and LPG Contributing to urban development (Minato AQUUS, new regional electricity businesses, etc.) Promoting environmental education and social contribution | P32-33 P35-55-56 P54-57-58 | |
| Materiality 4 Realization of a society in harmony with the environment | <ul style="list-style-type: none"> ● Energy ● Atmospheric emissions ● Wastewater and waste products ● Biodiversity | Advancing biodiversity conservation Advancing global warming countermeasures Technical development for decarbonization and higher efficiency Promoting resource recycling | P53-54 P34-46~49 P19~24 P50~52 | |
| Materiality 5 Reinforcement of human resources | <ul style="list-style-type: none"> ● Training and education ● Diversity and equal opportunity ● Occupational health and safety | Human-resource employment and education Promoting diversity Realizing flexible workstyles | P61 P62 P63~66 | |



Compliance and Governance



People mature,
local communities prosper,
and society grows.

TOP MESSAGE

President 増田信之
Nobuyuki Masuda

■My Goals As President

My name is Nobuyuki Masuda. I assumed the position of Representative Director and President in June 2021. Please accept my best regards.

First off is the current business environment. Though they tend to be overshadowed by the COVID-19, overseas there are undercurrents of geopolitical risk in the Middle East and trouble between the U.S.A. and China and, domestically, of liberalization and the like. Added to this is the acceleration of the course of carbon neutrality spurred by Prime Minister Suga's declaration last October. In terms of Toho Gas's gas sales volume, the effects of the economic downturn began to appear from FY2019, and with the added impact of COVID-19 in FY2020, the current reality shows a large departure from the assumptions behind the Medium-term Management Plan. With respect to competition as well, fully four years for gas and fully five years for electrical power have passed since liberalization, but a certain amount of switching is still taking place, and with circumstances that include new entrants into the market, the situation continues to be harsh.

Amid this, Toho Gas celebrates the centennial anniversary of the company's establishment in 2022. Sakura Okamoto, our founding President, espoused the management philosophy that "customers, shareholders, and employees form a trinity, and the coexistence and coprosperity of such stakeholders in the company is indispensable" and "we aim for public (local-community) service," and put this into practice. As we stand at the cusp of a new era, I feel the need for the entire Group to return now to this spirit. I believe it is our role for each and every employee to consider what we can do for customers and shareholders, and through actualizing this, delineate a vista in which people mature, local communities prosper, and society grows, and step out into the new era.

Grounded on this thinking we will devote attention to the following three specific points.

■2050 Carbon Neutrality Initiative

The first point is the 2050 Carbon Neutrality Initiative. This is an ambitious objective that cannot be reached by linear extension of

conventional measures, but as an operator that plays a part in energy supply, with strong determination we are tackling the challenge of achieving this. To show this stance and the orientation of our efforts to our stakeholders in a broad way, in July we announced the Toho Gas Group 2050 Carbon Neutrality Initiative.

Essential in energy supply the "3E+S" perspective – that is to say, an optimal mix of energy. It is necessary for us to maintain a constant awareness of myriad issues, including resilience against natural disasters such as earthquake and typhoon that are risks characteristic of Japan and mitigation of social impact through effective use of existing infrastructure, and implement effective measures grounded on the time axis through 2050 while maintaining multiple alternatives.

In this sense, what the Group should prioritize is, first, contributing to reducing the amount of cumulative CO₂ emissions along the axis of the spread and expansion as well as advance usage of natural gas. Specifically, along with pushing ahead with fuel conversion to natural gas, a clean energy producing lower amounts of CO₂ emissions than petroleum or coal, we will working with customers to achieve thoroughgoing energy savings through such means as encouraging adoption of high-efficiency equipment.

In parallel with this, we will devote effort to *carbon recycling, decarbonization of gas itself, and use and application of hydrogen*, making possible a smooth transition to a carbon-neutral society. In carrying this out, to an extent greater than before we will additionally actively engage in collaboration not merely within the energy industry but also with enterprises in other industries as well as universities and other such entities, together with advancing efforts overseas as action extending along the entire value chain.

Heretofore we have worked to reduce environmental impact while successively changing the raw material for city gas, our main business, from coal to petroleum and then from petroleum to natural gas, and have grown continuously with the region. With the experience we have cultivated as our grounding, I am certain that, without fail, we can also accomplish carbon neutrality.



■ Formulation of the Next Management Plan

The second point is *the formulation of a new management plan*. As this year marks the final fiscal period of the current Medium-term Management Plan, we are presently pressing ahead with formulating a Long-term Vision and a Medium-term Management Plan that will start in FY2022, the centennial of our establishment.

It is expected that the environment surrounding business operations will experience dizzying changes. We will work to push ahead with reforms that anticipate the demands and opportunities of the changing times and grow our energy business as a total energy provider, together with strengthening related Group operations and advancing into new business domains, but I believe that even as we change what must be changed in keeping with circumstances, there exists a fundamental stance

that remains unchanging no matter what the era. This is that *the Toho Gas Group is always together with the local region*. Though the form of the company will change with the legally mandated division of our pipeline elements from 2022, I believe that the provision of value as a Group must all be connected to the development of the region, contribution to local communities, and resolving issues that regional customers have.

In this sense, "strengthening connections" will be a key concept in the new management plan. We will proactively carry out our role of "making connections," not just in the forms of "customers (individuals, corporations, and administrations) ⇔ the Toho Gas Group," of course, but also in the form of "customers ⇔ (the Toho Gas Group) ⇔ customers."

In moving toward strengthening connections augments *services* and *points of contact* is crucial. For services, with the basis being to further

heighten the quality of the region's food, housing, businesses, and the like, it become key to resolve customer issues and compose *emotionally moving services* that bring true happiness. For points of contact, which serve as a platform for proposals, as we enhance the real point of contact embodied by the last mile, which has been a strength of the Group from the start, we will simultaneously overcome geographical and temporal limitations between us and customers by expanding digital points of contact. Even as we work to expand our market share for city gas, LPG, and electricity, we will provide the added value created through combinations of *services* and *points of contact* not just to energy customers, naturally, but also to persons in surrounding regions that we have not supplied energy to, thereby strengthening and expanding our connections. I would like for it to be possible for

the new management plan to depict such a vista. These are not necessarily matters to be rolled out entirely at our own expense. As an example, we intend to explore what kind of cooperation arising with local regions is possible, such as by offering items that include services from other local companies via Toho Gas platforms, creating win-win relationships with partners. I believe that continuing initiatives that heighten the vitality of the entire region as we cast our net out into it the region will, in its turn, lead to growth for the Toho Gas Group.

■ Advancing Implementation of Digital Technology

The third point is *advancing implementation of digital technology*. The use and application of digital technology are a *means*, but we are actively making effort while keeping our attention firmly fixed on the *objectives* ahead of this means.

To be specific, in addition to the augmentation of points of contact mentioned previously, we will address *diversification and distribution* – key concepts of post-COVID society. By way of an example, creating a more-pleasant working environment by further expanding remote working broadens the ways of working available to the child-rearing generation and the care-giving generation. To my thinking, a diverse workforce that is energetically active while demonstrating its capabilities to the fullest gives rise to a virtuous cycle that leads to the growth of the company, of course, but also enriched recruitment through greater attractiveness, more diversity, improved engagement, and other benefits, and is connected to the sustainability of the company itself.

Along with this, we will be implementing digital technology to drive structural reforms for costs. Under the current Medium-term Management Plan, we were able to reduce fixed costs, which had heretofore been around 110 billion yen, to roughly the mid-100 billion yen level. The next goal, in the new Medium-term Management Plan, is to instill the ability to be able to operate at fixed costs of around 100 billion. We are proactively implementing digital technology as a means for boosting the speed of decisionmaking while simultaneously heightening resistance to future environmental changes.

Capitalization Strategy

The point of the company's capitalization strategy that serves as the basis for these initiatives is to achieve a good balance for the matters of sustained growth, improved asset efficiency, and sustained financial soundness for the Group.

Under the current Medium-term Management Plan, to expand our business scope, we have made a cumulative total of over 60 billion yen of growth-business investments over three years, but from here on out, further investment with a long-term view toward achieving carbon neutrality will become necessary. Accordingly, in making investment decisions, we will need to examine the feasibility and significance of each individual project with even greater scrutiny, together with checking the balance with investment resources as well as prioritizing and swapping out assets. We will maintain an awareness of foundational capital costs and control assets and the amounts of interest-bearing debt while balancing cash inflow and outflow.

Together with growth-business investment, we will implement policies for balanced returns to shareholders. Based on an approach of providing stable dividends and flexibly implementing the purchase and retirement of treasury stock, and from a medium- to long-term perspective, Toho Gas has heretofore paid out 40% to 50% of net income in dividends. Despite the murky outlook for the business environment, we intend to keep our basic thinking unchanged and continue making stable returns to shareholders.

Key performance indicators grounded on this thinking will be clearly set out in the new management plan. The current Medium-term Management Plan delineates a story in which the three energy accounts of city gas, LPG, and electricity and the sales volume of city gas are made key for driving growth in profits, but in order to aspire to become a business having stock, some customer accounts will continue to be important indicators. Also, because now is also the time to move aggressively and expand investment amounts by a certain extent as we toward sustained growth, the perspective of how we manage overall profitability is also crucial. We will devise policies that strike a balance between action and discipline even as we address these matters.

In Conclusion

Based on the outlook for the future that I have described, in FY2021, by pressing ahead with business activities in line with materiality, we are solidly completing the current Medium-term Management Plan and forging a foothold that will take us into a new era.

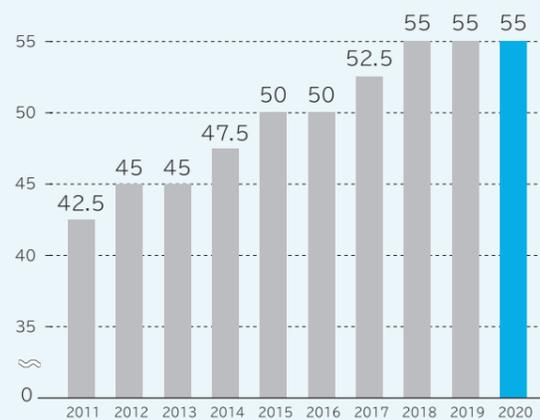
The immediate issue is to overcome difficult circumstances while responding with precision to COVID-19 and accomplishing our mission of ensuring stable supply. Employees engaged in gas production and supply are successively being vaccinated, and we are also addressing care for

the mental health of employees in a way that takes into account impact extending into the long term. In addition, we are making steady progress with such individual matters as expanding our share of the total energy market, developing technology related to carbon neutrality, deploying and expanding renewable energy, developing new services and business operations, and making preparations for splitting off our pipeline elements. It is precisely because this is a time of tremendous change in the business environment that we are

turning even greater attention to strengthening compliance and governance, and also to risk management.

On the waypoint of our centennial, I have been appointed to the role of assuming the mantle for steering management and crossing into the next era. To look back on our first hundred and carry the ideals I have been entrusted with on into the future, I intend to devote all my effort to management. I ask our stakeholders for their continued support and guidance.

Annual dividend per share * (yen)



*Toho Gas consolidated its shares at the ratio of 5 shares to 1 share of common stock effective October 1, 2017. Accordingly, dividend per share reflects the impact of the said consolidation of shares.

Share buy-backs (million yen)

| Period | Purchase value |
|---------------------|----------------|
| Feb.-May 2001 | 2,499 |
| Nov. 2001-Mar. 2002 | 2,999 |
| Nov. 2002-Jun. 2003 | 5,581 |
| Aug. 2003 | 344 |
| Nov. 2003-Jun. 2004 | 4,150 |
| Dec. 2004-Mar. 2005 | 2,507 |
| Feb.-Jun. 2006 | 1,746 |
| Feb. 2007 | 2,668 |
| Feb.-Mar. 2008 | 2,784 |
| Dec. 2009-Mar. 2010 | 2,996 |
| Mar.-Jun. 2011 | 2,751 |
| May-Jun. 2015 | 2,999 |
| May-Jun. 2016 | 2,381 |
| Mar. 2017 | 2,199 |
| May-Jul. 2017 | 2,994 |
| Aug-Oct. 2019 | 2,999 |
| Total | 44,606 |



Efforts Addressing Climate Change

Toho Gas Group 2050 Carbon Neutrality Initiative

The Toho Gas Group regards climate change as a critical management issue, and has made proactive efforts to reduce environmental impact through expanding the popularization of natural gas, which is the fossil fuel with the least environmental load, and as well as developing high-efficiency gas equipment and encouraging its adoption. In April 2020, the Group endorsed the Task Force on Climate-related Financial Disclosures (TCFD) and is working to strengthen information disclosure and the like related to efforts addressing climate change in line with the recommendations of the TCFD. Meanwhile, amid the recently heightening sense of crisis with respect to global warming, Japan has announced government policies aimed at achieving carbon neutrality by 2050, and as an energy operator, we are called upon to effect massive change, and we see ourselves as facing a turning point in the times. Grounded on such an environmental awareness, and with a strong determination to contribute to the sustainable growth of this region as a total energy provider, in July 2021 we formulated and announced the Toho Gas Group 2050 Carbon Neutrality Initiative.

Information Disclosure in Line with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

The TCFD published its final report in June 2017, and has recommended that enterprises and other organizations make disclosures with respect to the following items, including governance related to climate change as well as strategies (risks, opportunities, and responses).



| Item | Response | For reference |
|--|---|---|
| Governance Governance for organizations involved in climate-related risks and opportunities | <ul style="list-style-type: none"> The Group recognizes that response to environmental problems, including climate change countermeasures, is a critical business issue. The Group Environmental Preservation Committee, comprising executives and general managers from Toho Gas and major subsidiaries and chaired by the executive responsible for the CSR/Environment Department is convened twice a year to deliberate on and verify policies and targets. Also, as a subordinate organization, Environment Promotion Meetings are held in each department to establish targets and manage progress. Such important matters as risks and opportunities, strategies, risk management, and metric reporting relating to climate change are reported by the Management Committee to the Board of Directors, and Board of Directors supervises the state of execution. | <ul style="list-style-type: none"> Corporate Governance P67 Risk Management P69 Management of Environmental Preservation P41 |
| Strategy Accommodation of the impacts of climate-related risks and opportunities | <ul style="list-style-type: none"> To assess and evaluate future climate-related risks, opportunities, and responses in line with TCFD recommendations, we are conducting cross-sectional scenario analysis for the year 2050. As external scenarios we selected an "under-2°C scenario" in which the increase in global temperatures is held to less than 2°C and a "4°C scenario" in which change to lower carbon does not proceed. Based on the images of society in 2050 drawn out by these scenarios, and taking into account such temporal axes as short- to medium-term (through 2030) and medium- to long-term (through 2050), we identified risks and opportunities and assessed their impact. As a strategy geared to 2050, we advanced investigation by an interdepartmental working group, which reported their findings to the Board of Directors via the Management Committee, and formulated the Toho Gas Group 2050 Carbon Neutrality Initiative, announcing it in July 2021. With this strategy at the core, we are organizing our response measures for risks and opportunities and evaluating their resilience. | <ul style="list-style-type: none"> For impacts of and responses to risks and opportunities accompanying climate change, refer to the table at right. Internal Carbon Pricing P49 |
| Risk management Identification, assessment, and management processes for the climate-related risks | <ul style="list-style-type: none"> At Toho Gas, we push forward organizational identification, assessment, and response with respect to risk occurrence and change based on Risk Management Rules, and improve the level of risk management and conduct smooth business operations. Climate-related risks are integrated into the company-wide risk management system and processes, annual identification of risk factors, including climate-change factors, is conducted, response measures by the assigned department are discussed, and comprehensive evaluation is carried out. The comprehensive evaluation results and other matters are reported to the Board of Directors through the Management Committee one or more times a year, and the Board of Directors supervises company-wide risk management and its execution status. | <ul style="list-style-type: none"> Risk Management P69 |
| Metrics and targets Metrics and targets used for assessment and management | <ul style="list-style-type: none"> Gas sales volumes and environmental action goals set in the Medium-term Management Plan and elsewhere are used as metrics and targets. Progress relating to these metrics and targets is reviewed by the Management Committee and reported to the Board of Directors, and the Board of Directors supervises execution status. | <ul style="list-style-type: none"> Value Creation Process P7 Global Warming Countermeasures P46 Environmental Action Goals P42 |

Glossary

Scenario Analysis

This is an analysis method used for matters having a high degree of uncertainty over the long term. The TCFD recommends applying scenario analysis in such cases as investigating the impacts on a company's operations and management that are attendant upon climate change. The procedure in scenario analysis is to hypothesize future visions of the company's business under multiple external scenarios, such as at under 2°C and at 4°C, analyze in terms of both risks and opportunities the impacts that the respective scenarios impose on strategies, and assess the resilience and appropriateness of the strategies.

| External Scenarios | Main scenarios used in scenario analysis |
|----------------------|--|
| Transition scenarios | <ul style="list-style-type: none"> International Energy Agency (IEA): the World Energy Outlook Net Zero Emissions (NZE) scenario, Sustainable Development Scenario (SDS), and Stated Policy Scenario (STEPS), and the Energy Technology Perspectives Beyond 2°C Scenario (B2DS) and Reference Technology Scenario (RTS) |
| Physical scenarios | <ul style="list-style-type: none"> Intergovernmental Panel on Climate Change (IPCC): the RCP 8.5 and RCP 2.6 scenarios |

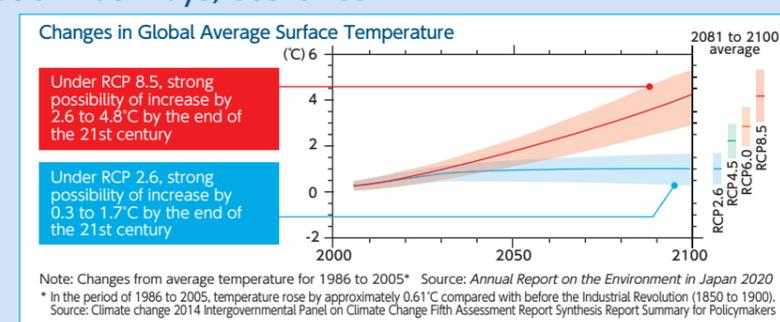
Impacts of and Responses to Risks and Opportunities Accompanying Climate Change

Risks having comparatively large financial impact
Opportunities having comparatively large financial impact

| Scenarios and external environment | | Short- to medium-term (through 2030) | | Medium- to long-term (through 2050) | | |
|------------------------------------|---------------------|--------------------------------------|--|---|--|---|
| Major Risks | Under-2°C scenario | Technology | Progress of decarbonization innovation | Transition to renewable energy for which implementation is progressing | Reduced competitiveness due to developmental delays in decarbonization technology for gas itself | |
| | | Policies and regulation | Increased carbon taxes | Changes in competitiveness among energy types due to the tax burden | Sluggish domestic production activity due to excessive tax burden and international imbalances | |
| | | | Transition to renewable energy | Decrease in gas sales volume arising from a shift to electrification due to a certain extent of transition to renewable energy, in addition to a general shift to electrification | Decrease in gas sales volume due to an excessive shift to electrification in the area of heating, in addition to a decrease in energy itself due to energy conservation | |
| | | Market | Change in customer preferences | Decrease in industrial-use gas sales volume attendant upon electrification of passenger cars Decrease in gas sales volume due to adoption of standard specifications for ZEHs and ZEBs and a shift to electrification | Decrease in industrial-use gas sales volume attendant upon electrification of vehicles of all types Decrease in gas sales volume due to spread of ZEHs and ZEBs and a shift to electrification | |
| | | Reputation | Assessment by investors | Lower assessment of energy companies that are passive with respect to decarbonization | Even lower assessment of energy companies that are passive with respect to decarbonization | |
| | 4°C scenario | Physical risks | Acute | Increasing weather intensity | Gradual increases in countermeasure expenses related to production and supply equipment and facilities Gradual increases in disaster-recovery costs | Further increases in countermeasure expenses related to production and supply equipment and facilities Further increases in disaster-recovery costs |
| | | | Chronic | Rising temperatures | Reductions in gas sales volume due to reduced demand for heaters and water heaters Strain on electrical power transmission at peak periods attendant upon expanded air-conditioning demand | Further reductions in gas sales volume due to reduced demand for heaters and water heaters Further strain on electrical power transmission at peak periods attendant upon expanded air-conditioning demand |
| | Major Opportunities | Under-2°C scenario | Technology | Progress of decarbonization innovation | Wider use of technology for energy conservation and for advanced and high-efficiency use of energy established to reduced cumulative CO ₂ | Achievement of an optimized energy mix also providing resilience and other advantages in addition to both convenience and restraint of social costs through the establishment of competitive decarbonization technology (methanation, carbon recycling, hydrogen usage) |
| Policies and regulation | | | Increased carbon taxes | Advantageously utilizing the environmental superiority of natural gas among other fossil fuels to expand the spread of fuel changeover and advanced usage that contributes to reducing cumulative CO ₂ | Adoption of fair taxation and deregulation, expanding the spread of decarbonization technology | |
| | | | Transition to renewable energy | Expanded sales of renewable energy Supplementation of renewable energy and wider use of cogeneration that contributes to improved resilience | Establishment of optimal energy-mix solutions through decarbonization technology for electrical power and gas, in addition to wider use of renewable energy | |
| Market | | | Change in customer preferences | Wider use of fuel-cell passenger cars and compact specialized vehicles (forklifts, etc.) accompanying improvement of the infrastructure for hydrogen Wider use of systems contributing to reduced cumulative CO ₂ in the form of optimized utilization and advanced utilization (resource aggregation) of energy, including for heating and electricity | Further expansion of the market for passenger cars, buses, cargo vehicles, and other fuel-cell vehicles accompanying the expanded spread of the hydrogen infrastructure Establishment of optimal systems providing convenience and resilience through decarbonization technology | |
| | | Reputation | Assessment by investors | Higher assessment of energy companies that are proactive with respect to decarbonization | Even higher assessment of energy companies that are proactive with respect to decarbonization | |
| 4°C scenario | | Physical risks | Acute | Increasing weather intensity | Increase in demand for a high-resilience infrastructure Increase in customer-side equipment needs, such as energy systems providing convenience and resilience | Further increase in demand for a high-resilience infrastructure Further increase in customer-side equipment needs, such as energy systems providing convenience and resilience |
| | | | Chronic | Rising temperatures | Expansion of demand for air conditioners and increase in demand for high-efficiency air conditioning Increase in demand for products and services that contribute to peak-cut control for electricity | Further expansion of demand for air conditioners and increase in demand for high-efficiency air conditioning Further expansion of the spread of products and services that contribute to peak-cut control for electricity |
| Main responses | | Under-2°C scenario | Transition risks | | For main responses, see The Toho Gas Group 2050 Carbon Neutrality Initiative on the following page. | |
| | 4°C scenario | Physical risks | Acute | Increasing weather intensity | Promotion of safety and disaster-mitigation measures to prepare against increasing weather intensity High-tide countermeasures such as reinforcement of protective embankments, flooding countermeasures such as water-tightening, and expediting disaster recovery through segmentation of supply blocks and the like Wider use of energy systems offering high energy savings, convenience and resilience (cogeneration and smart towns) | |
| | | | Chronic | Rising temperatures | Provision of advanced utilization of energy and energy savings with respect to increase in demand for air conditioning accompanying rising temperatures Peak-cut control for electricity through resource aggregation (demand response [DR], virtual power plants [VPPs], etc.) and advanced utilization of gas | |

RCP (Representative Concentration Pathways) scenarios

The Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) presented four scenarios for increase in average global temperature by 2100 and indicated projections. The temperature was projected to rise by around 2°C in the scenario with the smallest temperature rise (the RCP 2.6 scenario) and by about 4°C in the scenario having the greatest rise (the RCP 8.5 scenario). The values of "2.6," "8.5," and the like following "RCP" represent effectiveness in causing global warming (called "radiative forcing"). The high is the value, the higher are greenhouse-gas concentrations and the greater is the effectiveness in causing warming.



The Toho Gas Group 2050 Carbon Neutrality Initiative

Initiatives Geared Toward Achieving Carbon Neutrality

Toho Gas is accelerating efforts from where we are now to reduce carbon and even achieve decarbonization at customer locations, and along with this, we have turned our attention to technical innovation for utilizing hydrogen and in carbon recycling, and are connecting this to future decarbonization of gas itself. Through combinations of diverse means, including decarbonization in electrical power sources and the like, we are tackling the challenge of achieving carbon neutrality in our entire value chain, including customer locations, in 2050.

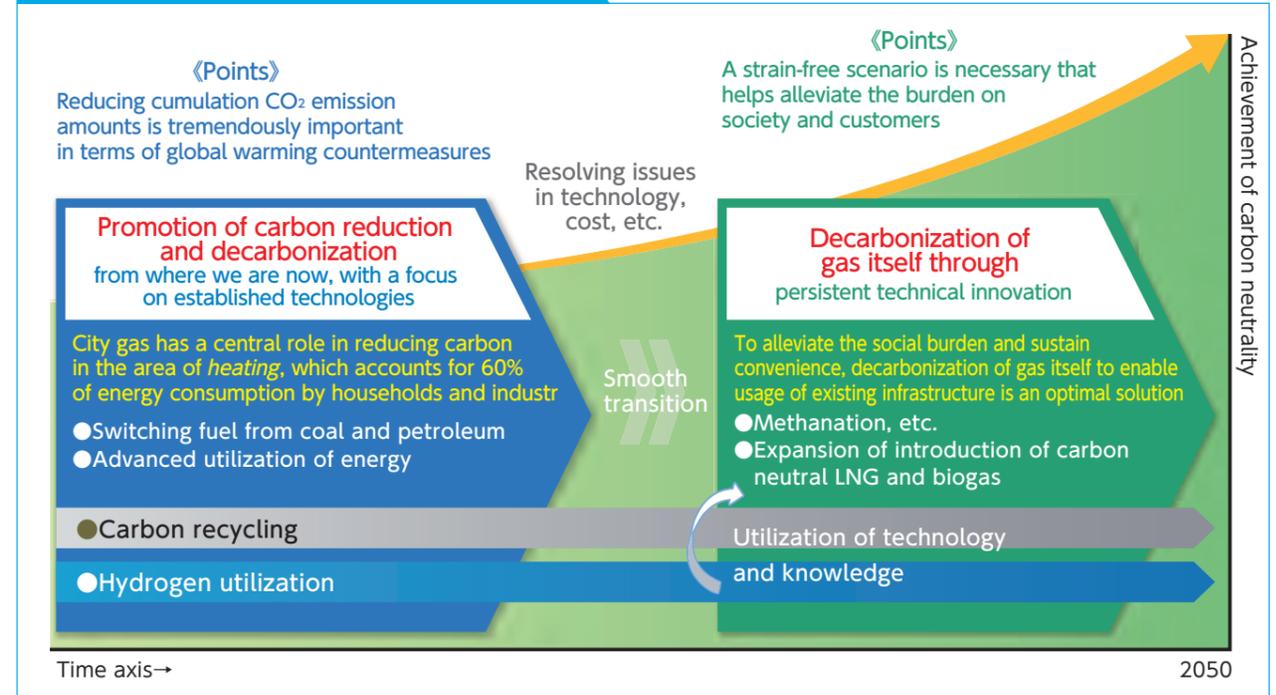
Materiality 4
Realization of a society in harmony with the environment

Basic Concept

The "3E+S" perspective continues to be crucial in energy supply, and in achieving carbon neutrality, the balance of stable supply and economy – that is to say, the best mix of energies – is essential. By effectively utilizing a rugged pipeline infrastructure together with taking advantage of the favorable affinity of gas and renewable energy, we are pursuing the best mix of a wide variety of energies and helping to strengthen the resilience of the region.

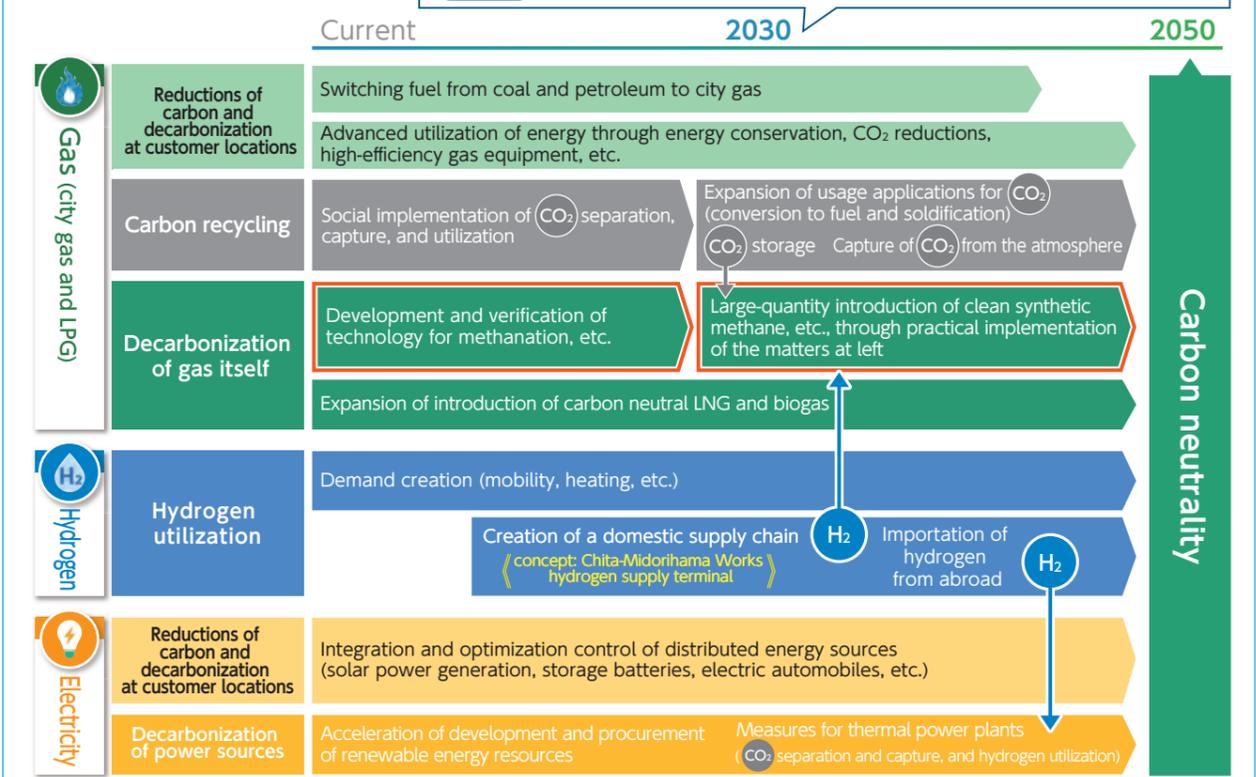
To achieve carbon neutrality, innovative technical development is a requirement, and tremendous time and costs become necessary to overcome this. Consequently, we believe that if we first steadily press ahead with reducing carbon and decarbonization using established technology, it will become possible to make a smooth transition to carbon neutrality by achieving decarbonization of gas itself in the future.

Scenario for Achieving Carbon Neutrality



Vision for Achievement

- Targets**
- Amount of contribution to CO₂ reduction: -3 million tonnes*¹
 - Gas carbon neutrality ratio: 5% and over*²
 - Handled amount of renewable energy power sources: 500,000 kW

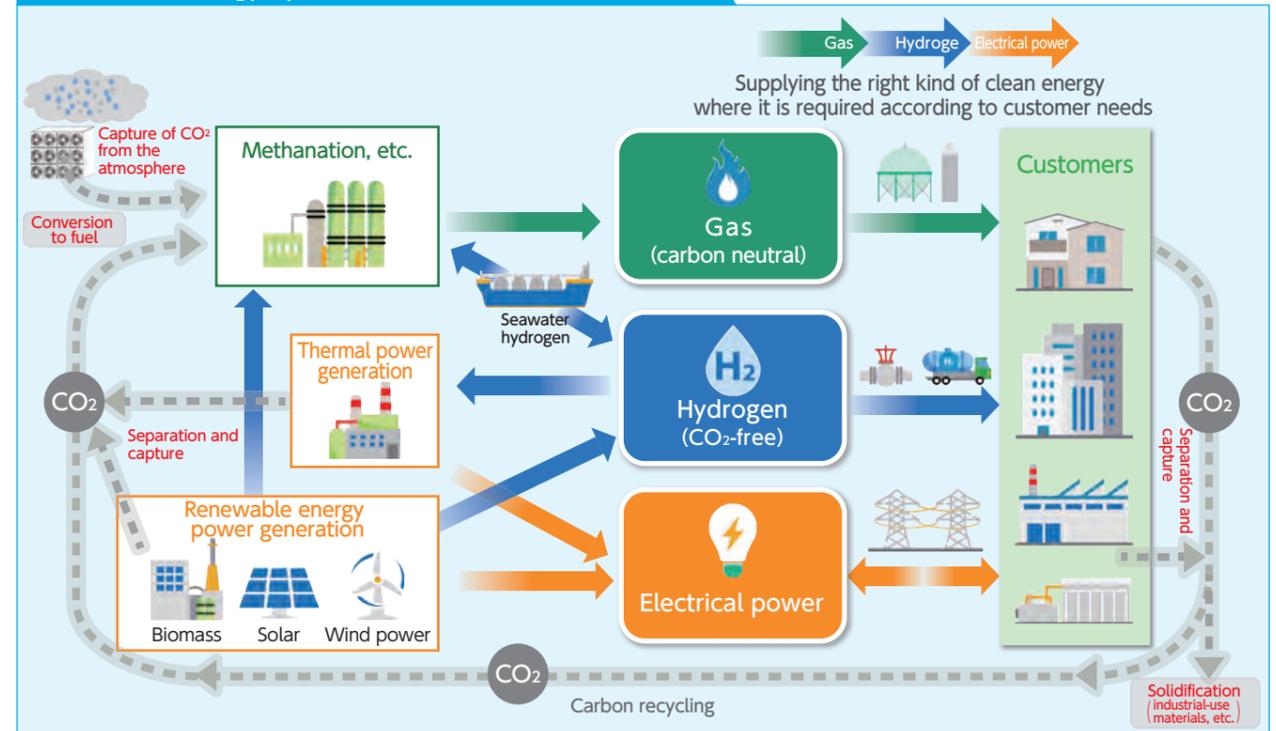


*1 Amount of contribution to CO₂ reduction through business activities (FY2021 and after)
 *2 Of gas sold, the ratio of gas for which carbon neutrality has been achieved (a diverse array of means are envisioned, such as methanation, etc., hydrogen utilization, biogas, carbon neutral LNG, carbon recycling, overseas contributions, and afforestation and forest protection)

Portrait of the future

Through broad-based collaboration with all concerned, Toho Gas aims to create an energy system that contributes to carbon neutrality, with the pivot being the three types of energy of gas (city gas and LPG), hydrogen, and electricity. We will continue to contribute to realizing a sustainable society and to the further development of the Chubu region.

The future energy system we at Toho Gas envision

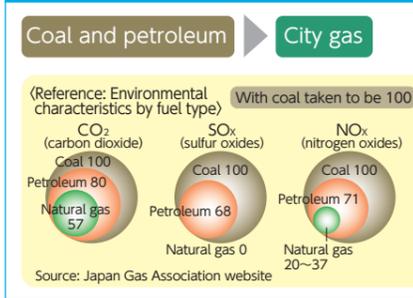


Specific Initiatives (Gas)

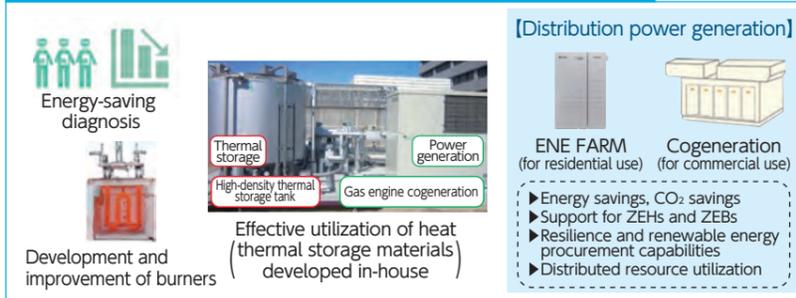
Reductions of carbon and decarbonization at customer locations

The Chubu area is a prominent industrial region, and because coal and petroleum are both still heavily used in high-temperature thermal applications, switching the fuel type from these to environmentally friendly city gas accelerated reductions in carbon. Further, in conjunction with such conventional efforts as energy conservation and advanced utilization of energy, we are also promoting such new initiatives as carbon recycling and hydrogen, supporting carbon reduction and decarbonization at customers in a thoroughgoing way.

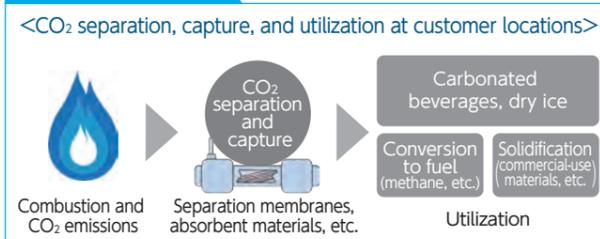
Switching fuel types for thermal demand



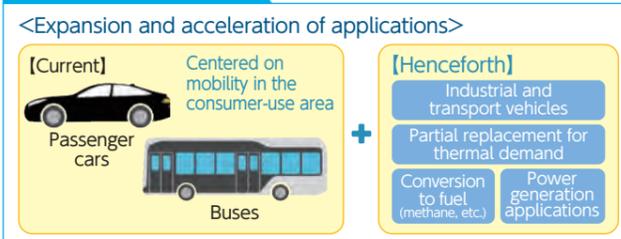
Energy conservation and advanced utilization of energy



Carbon recycling



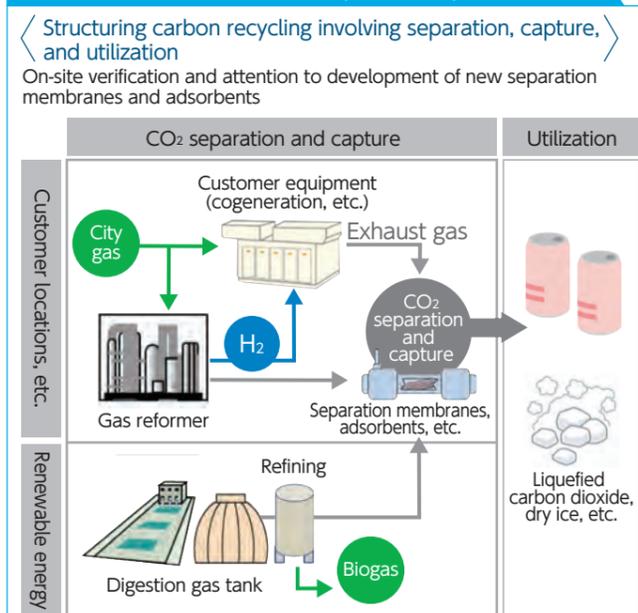
Hydrogen utilization



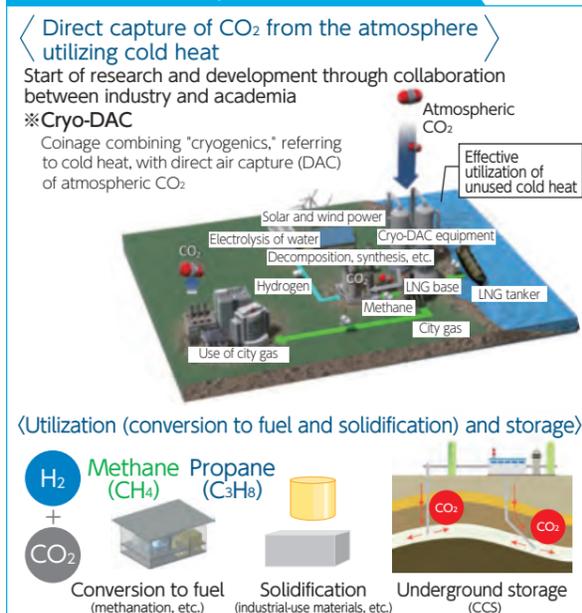
Carbon recycling

Toho Gas was quick to turn attention to technical development for CO₂ separation and capture, and we will continue to enhance our technical capabilities from the perspective of CO₂ utilization (conversion to fuel and solidification) and storage. As a means of carbon reduction that we can carry out right now, we are socially implementing carbon recycling to separate, capture, and utilize CO₂ at customer locations, and in the future we will also take up such challenges as direct capture from the atmosphere and expanding usage applications.

Domains Where Our Aim is Early Social Implementation



Technical Development for the Future

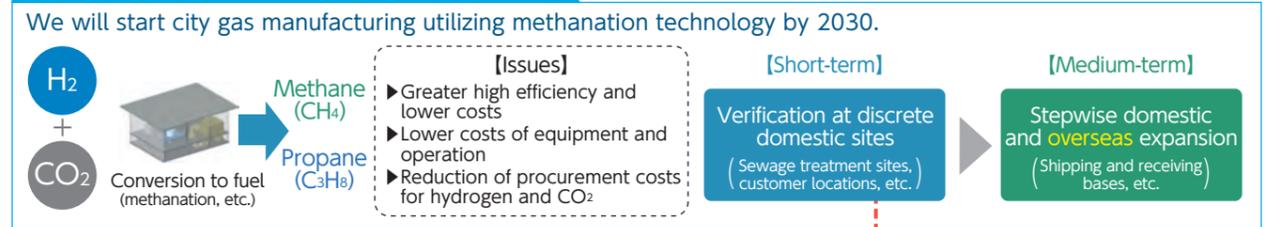


Decarbonization of Gas Itself

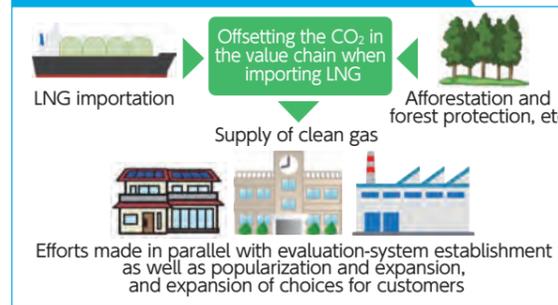
Aiming for the practical implementation of methanation technology and the like and the large-quantity introduction of clean synthetic methane and similar substances, through broad-based alliances we are devoting effort to such matters as verification geared toward resolving such issues as greater high efficiency and lower costs.

For carbon neutral LNG and biogas for which the start of introduction has already been completed, we will work to further expand the amounts handles and achieve decarbonization of gas itself through diverse means.

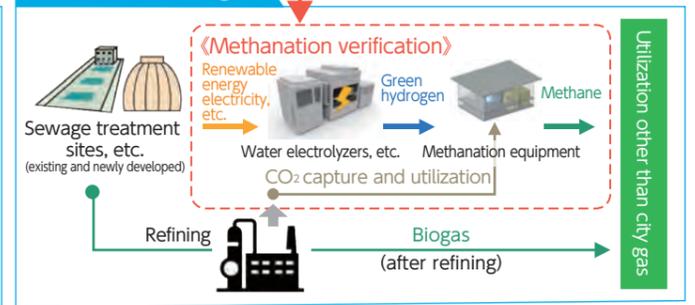
Practical Implementation of Methanation, Etc.



Introduction of Carbon Neutral LNG



Utilization of Biogas



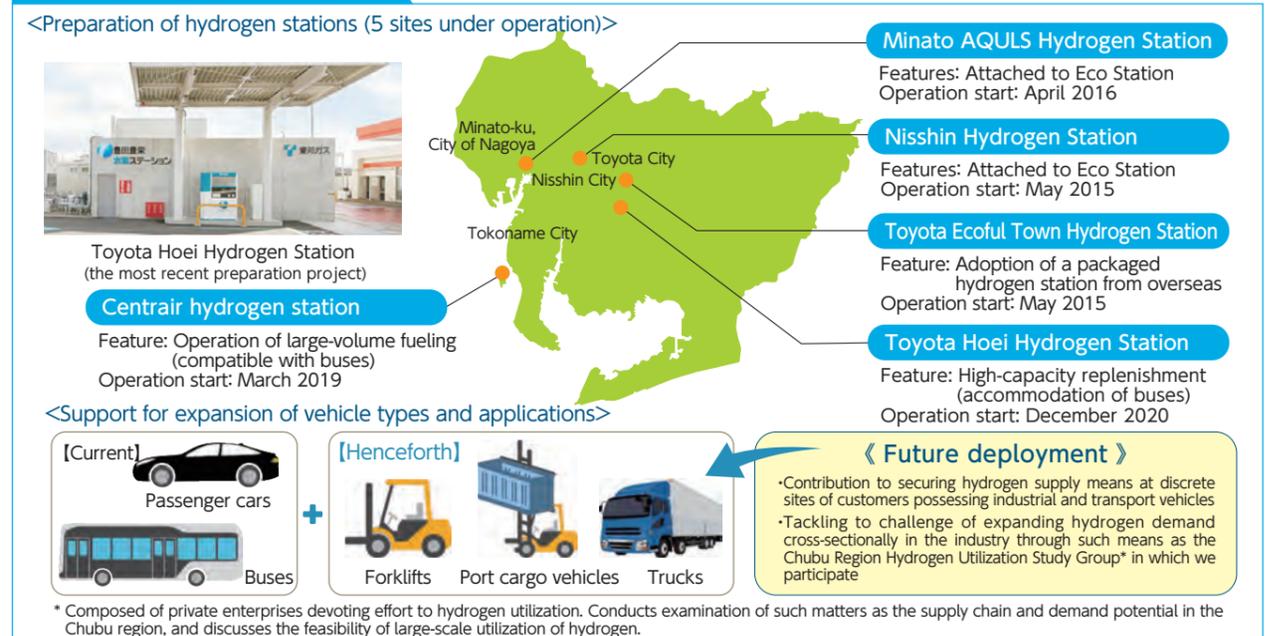
Specific Initiatives (Hydrogen)

Demand creation : Mobility applications

In the Chubu area, the utilization of hydrogen as a mobility application is progressing, and to help drive the spread of fuel cell automobiles, Toho Gas has been proactively endeavoring to prepare hydrogen stations.

Along with continuing to work expand hydrogen station facilities and reduce costs, we will press on with expanding infrastructure by also making full use of cross-sectional frameworks in the industry to move toward expanding vehicle types and application to include industrial vehicles, transport vehicles, and others.

Expansion of Mobility Demand



●Demand creation: Further expansion of applications

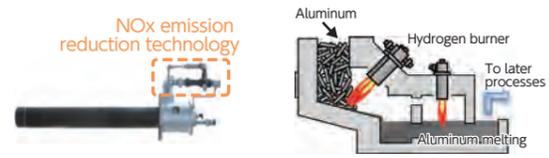
Toho Gas has even heretofore been devoting effort to the development of technology relating to hydrogen combustion and of mixed-combustion technology for city gas and hydrogen. Through further technical development, we will turn our efforts toward application expansion and practical implementation for the areas of heating and the like.

Also, in the phase II development for Minato AQUUS that is now under discussion, we are delineating a plan for the practical implementation of hydrogen technology.

Application Expansion to Heating and Other Fields

<Hydrogen combustion>

We are devoting effort to new development for burners, and to cost reduction and practical implementation.



Japan's first example of hydrogen combustion technology in single-end radiant-tube burners

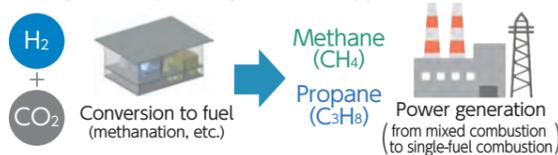
Together with industrial-use customers, the start of verification of adoption of hydrogen in aluminum-melting furnaces, etc.

<Mixed combustion of city gas and hydrogen>



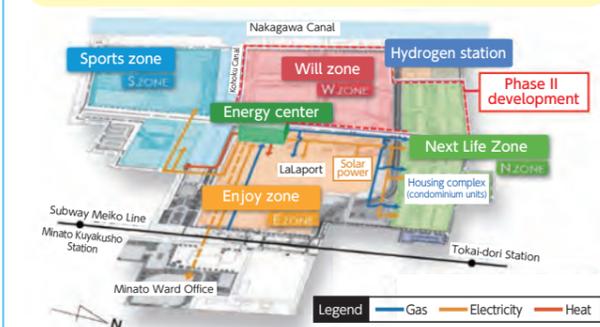
Together with a multidisciplinary industrial-technology research institute, the start of basic research into hydrogen mixed combustion for cogeneration

<Fuel (gas) and power-generation applications>



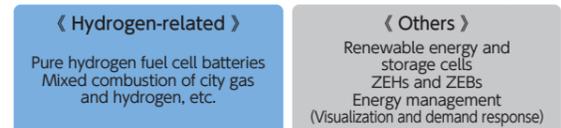
Minato AQUUS Phase II Development Plan

In phase II development, we are aiming to architect a smart town that combines various technologies such as hydrogen and renewable energy, and achieve carbon neutrality in energy supply.



Note: The layout plan diagram is the concept at the current stage, and may be subject to change.

<Technologies and systems under consideration for adoption>

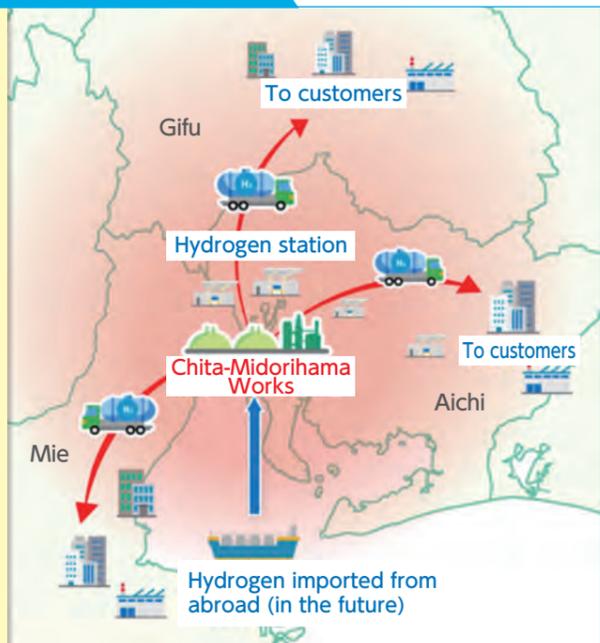
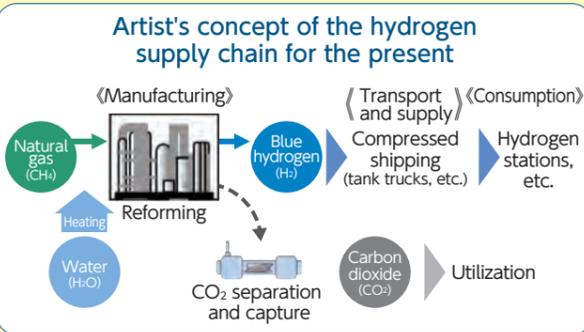


●Supply chain creation

To accommodate the vigorous hydrogen utilization needs of the Chubu region, we are driving the spread and expansion of hydrogen in the Chubu region through the early actualization of a planned change to a hydrogen supply terminal at the Chita-Midorihamma Works and the creation of a hydrogen supply chain.

Planned Change to Hydrogen Supply Terminal at the Chita-Midorihamma Works

- Combine hydrogen manufacturing in Japan by reforming natural gas, carbon recycling technology, and other feasible technologies and use what we have to provide means to accommodate growing need for hydrogen at an early date
- Perform transportation to demand locations using tank trucks, etc., together with also taking up the challenge of pipeline supply via local network
- Aim to become a receiving terminal for hydrogen imported from abroad

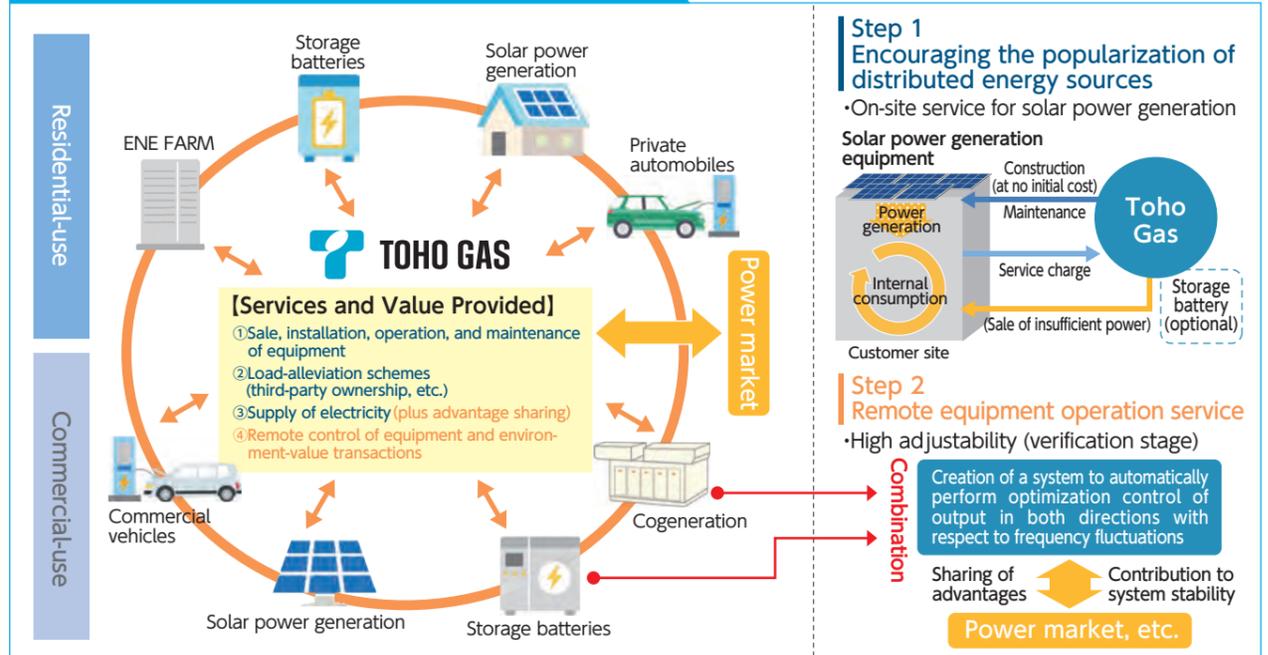


Specific Initiatives (Electricity)

●Reductions of carbon and decarbonization at customer locations

Together with encouraging the popularization of diverse distributed energy sources, including solar power generation, storage batteries, electric automobiles, and more, by integrating in the controlling these utilizing digital technology and achieving mutual flexibility for electricity and environmental values, we aim to offer services that achieve both creating of advantages for customers and efficient energy usage.

Artist's Concept of Augmentation of Electrical Services



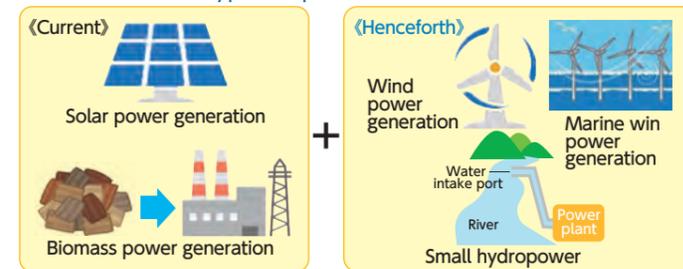
●Decarbonization of electrical power sources

With an eye to decarbonizing our own power sources, we devoting effort to the development and procurement of renewable energy power sourced and to their diversification.

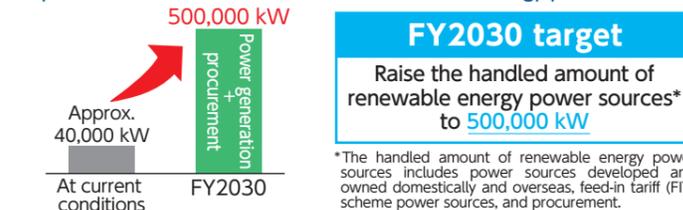
Through cooperation with local governments and other entities and such means as regional electricity business, we are endeavoring to utilize latent renewable energy resources in local regions and contribute to resolving local issues through local production and local distribution of energy and strengthened resilience.

Expansion of Renewable Energy Power Sources

<Diversification of types of power sources>

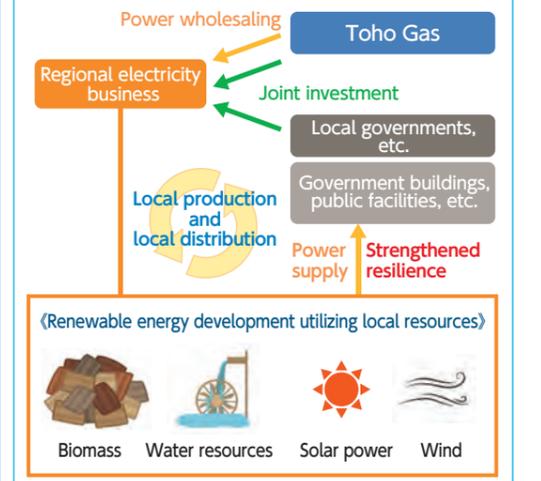


<Expansion of the handled amount of renewable energy power sources>



Power Source Development Contributing to Local Production and Local Distribution

Together with achieving local production and local distribution of electricity utilizing local resources, it contributes to the resolution of local issues



Glossary

- Carbon neutrality** A state in which emission amounts of CO₂ and other greenhouse gases minus the amounts absorbed by forests and the like result in a net zero value.
- 3E+S** The basic principles of Japan's energy policy: energy security, economic efficiency, environmental protection, and safety.
- Methanation, etc.** Technology for producing methane, propane, and the like using hydrogen and CO₂.
- Biomass** Biomass is a concept representing biological resources (bio) and mass, and refers to resources which are organic material originating in flora and fauna (excluding fossil resources), and possesses the characteristic called "carbon neutrality" – that is to say, not adding carbon dioxide to the atmosphere.
- FCV (Fuel Cell Vehicle)**..... An automobile whose motor is driven using electrical energy generated by the chemical reaction of hydrogen and oxygen in a fuel cell.
- ZEH•ZEB** These refer to net zero energy houses and net zero energy buildings, whose aim is to realize zero annual net consumption of primary energy in combination with renewable energy and the like.
- VPP (Virtual Power Plant)**..... Systems and technology for controlling (utilizing) the energy resources of various consumers as if they were a single power plant.
- DR (Demand Response)**..... Systems and technology for changing demand patterns according to the state of supplied electricity.
- Resource aggregation**..... Various services for adjustability, suppliability, imbalance avoidance, electricity rate reduction, output control avoidance, and the like to supply such customers as general electricity and distribution utilities, electricity retailers, consumers, renewable energy generation utilities using VPPs and DR.
- ENE FARM** A residential cogeneration system that generates electricity by means of a fuel cell through a chemical reaction between hydrogen extracted from city gas and oxygen in the air, with the heat generated thereby used for hot water supply.
- Smart cities - smart towns** Sustainable cities and regions that resolve various issues facing cities and regions and continue to create new value by providing tailored services to each individual resident using new information and communications technology and the like and various public- and private-sector data and achieving management (planning, preparation, control and operation, and the like) of greater sophistication in all areas.
- Carbon recycling** Collecting CO₂ as a resource and reusing (recycling) it as a diverse array of carbon compounds. Under the Toho Gas Group 2050 Carbon Neutrality Initiative, we aim to make a broad range of efforts for separating, collecting, utilizing, and storing CO₂.
- Sector coupling** Energy financing across multiple areas, such as electricity and heating.
- CO₂-free hydrogen**..... What is considered CO₂-free hydrogen includes that which procures the electrical power needed for hydrogen manufacture from renewable energy and that which separates and collects the CO₂ produced in hydrogen manufacturing processes through combination with technologies such as carbon capture and storage (CCS) to achieve net free CO₂.

Efforts in the Use of Digital Technologies

In the Medium-term Management Plan, the Toho Gas Group espoused the three key strategies of *further growth of the city gas business, development into a total energy provider, and taking on new scopes*, as well as promoting reinforcement of the Group's business foundation. To achieve sustained growth, we steadily executed these strategies while also utilizing new digital technologies. The transformation to a contactless society due to the COVID-19 pandemic now at hand is advancing, and as the importance of implementing digital technology increases, we will further accelerate *promotion of greater efficiency and sophistication in tasks utilizing digital technology, using digital technology to support the lives of people and businesses in the region, and preparation of a foundation geared toward promoting use of digital technologies*.

Promotion of Greater Efficiency and Sophistication in Tasks Utilizing Digital Technology

By utilizing digital technologies (electronic payment, web conferencing, chat bots, robotic process automation [RPA], artificial intelligence [AI], drone, robots, and the like) to facilitate speeding up task procedures, smooth communication between headquarters and employees in the field, and the like, we will promote on-site control that is more advanced through greater efficiency in task disposition and support for decisionmaking, prevention of human error, remote operation, and more. We will promote flexible ways of working, such as working from home and smooth task execution at dispatched destinations.

Greater Efficiency and Sophistication in Office Work and Field Work

To promote working from home by employees as a response to COVID-19, we adopted cloud-based groupware and extension mobile units company-wide to prepare a teleworking environment. In field work, in aims of higher efficiency in site surveying and more-advanced inspection work, we are utilizing drones and robot technology. Remote verification of sites using wearable cameras, adoption of online process verification with construction companies, and other such efforts achieve both efficiency and effectiveness as anti-COVID measures through contactlessness.

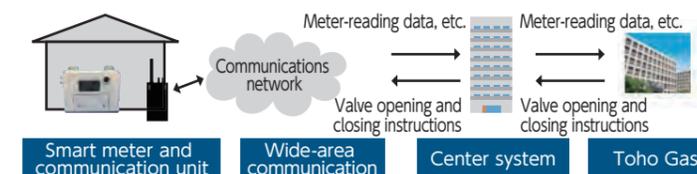


Remote site verification using a wearable camera

Development of a Smart Meter System

From the first half of the 2020s, we are engaging in full-fledged adoption of smart meters. Smart meters are gas meters that are capable of remote communication. This makes possible remote execution of such tasks as closing valves and meter reading for city gas that previously needed to be performed by persons in the field, enabling achieving greater efficiency for these tasks. In the unlikely event of a gas leak or occurrence of an earthquake or other disaster, not only can remote gas cutoff (valve closing) be accomplished rapidly, but remote restoration operations (valve opening) are possible as well. These can lead to further strengthened safety and higher resilience in supplying city gas.

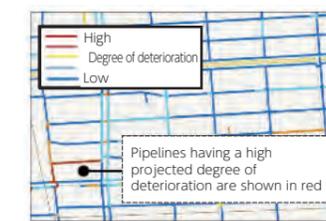
To promote development of meter units and a center system for remote operation ahead of adoption, in December 2020 we began joint development with Tokyo Gas Co., Ltd. and Osaka Gas Co., Ltd.



Projected Gas Pipeline Deterioration Using AI

Since August 2019, Toho Gas and Fracta (California, U.S.A.) have been conducting verification testing for using artificial intelligence (AI) and machine learning to predict deterioration in gas pipelines managed by the Toho Gas. We created the algorithm using data on gas pipelines and from inspection results that Toho Gas has accumulated and our expertise in machine and control together with Fracta's environmental database of over a thousand items relating to earthquakes, population density, amounts of traffic, and the like, as well as leading-edge AI technology.

We plan to implement this in safety measures with the objective of conducting pipeline replacement planning and leakage inspection more efficiently by predicting and visualizing deterioration trends that are difficult to assess using human judgment.



Artist's concept of visualization of deterioration projections

Using Digital Technology to Support the Lives of People and Businesses in the Region

Expansion of Services for Residential Customers

In addition to the wealth of points of direct contact with customers that has heretofore been our strength, we are enhancing our digital channels and utilizing both actual and virtual contact to offer a variety of services that bring convenience, comfort, and money-saving value to day-to-day living, thereby continuing to support the lives of the region as a partner responsive to the diverse needs of customers.

●ASMITAS Life Service Platform



ASMITAS is a single-stop life service platform providing a variety of services that make everyday life more convenient, comfortable, safe, and secure of this point on. With a focus centered on such domains as food, housing, safety and security, healthcare, and regional revitalization, we are expanding a broad range of services attuned to customer lifestyles and tastes.

(Current as of August 2021)

| Major service | Description |
|--|--|
| Sugu-Conne  | This is a residential wireless Internet service. Not only is no wiring installation required, but the first month of use is free of charge, and cancellation invokes no penalty charges. Subscription is simple and easy. |
| Franomista  | For 550 yen a month, this service entitles the user to one free drink a day priced at 600 yen or less (before tax) or specified by the establishment – even at two or even three establishments. This service is available at around 400 locations. |
| Junitoho  | This service enables customers to easily purchase food items sourced from manufacturers who endorse the concept of reducing product disposal due to approaching best-by dates and the like. A portion of purchase amounts is donated to social-contribution organizations. |
| Mitascare*  | This is a provider of order-made services not covered by caregiving insurance. In addition to dispatching caregiver helpers and providing residential caregiving, this provides services that meet individual needs outside the coverage scope of caregiving insurance, such as accompaniment of outpatient hospital visits. |

* The result of an acceleration program sponsored by the City of Nagoya (NAGOYA Movement)

For detailed information on ASMITAS, please check the website below.
<https://asmitas.tohogas.co.jp>



●Development of Remote Sales Locations

In addition to hands-on experience in using gas equipment and face-to-face consultations, we welcome customer inquiries concerning gas equipment and the like made directly, through our ENEDO sales outlets, or online. We will also continue augmenting videos showcasing gas equipment and other such content and responding to customer needs through a combination of physical and digital presences.



Augmentation of Services for Commercial Customers

To provide customers with broad-based business support, in April 2021 we launched TOHOBIZNEX, a membership-based total business support site. This supports local businesses through provision of services that are not limited to only energy-related matters.

●TOHOBIZNEX Membership-based Total Business Support Site

TOHOBIZNEX is a website for commercial customers offering simple registration and allowing easy signup and inquiries from a computer or smartphone. It offers 17 types of business-support services for customers (as of June 2021), including *reducing electrical power rates, making operations more efficient, and finding and keeping human resources*. Henceforth we will continue to augment useful business services aligned with customer needs.



For detailed information on TOHOBIZNEX, please check the website below.
<https://biznex.tohogas.co.jp>



Development of New Services

With resolution of social issues, sustainability, and regional revitalization as key concepts, we are promoting development of new services that utilize IoT, AI, and other manifestations of digital technology. Toward achieving this, we are accelerating our efforts and making use of such means as collaboration with other companies and cooperation with startup enterprises through participation in planning and investment in acceleration programs and venture capital funds.

●TOHOGAS Parking – Parking-space Sharing Service



TOHOGAS Parking is a service that lets drivers seeking parking for events, sightseeing, or the like to reserve a parking space via a website and thereby be able to have a secured site. We launched this service in July 2020 in collaboration with Nokisaki Inc.

The usage areas include popular Tokai-area destinations (Vandelin Dome Nagoya, Ise Jingu Shrine, etc.) and city-central areas in Nagoya, Okazaki, and Toyota. It is also possible for parking-area owners at clinics, dining establishments, and the like to lend free parking spaces without incurring startup expenses or monthly management fees, thereby making effective use of space.



●"Fire-ology VR" Experiential Learning Material Using Virtual Reality

We developed "Fire-ology VR," an experiential learning material that employs virtual reality (VR).

In November 2020 we started a rental service allowing usage as a teaching material in home economics classes at schools and as a tool to attract visitors at events.



Preparation of a Foundation Geared Toward Promoting Use of Digital Technologies

Together with fostering the human resources to drive the utilization of digital technologies, we are promoting usage of cloud services. Regarding cybersecurity, we are working to ensure defense through such means as installing security equipment to prevent intrusions and conducting around-the-clock monitoring of data communication by a specialist company. By moves that include conducting periodic response drills anticipating the occurrence of a cyber-attack, we are steadily promoting strengthening of security response functionality in terms of both hard and soft infrastructure.



Cybersecurity incident response drill

Toho Gas Group Initiatives

Strategy 1 Further Growth of the City Gas Business

We aim to further strengthen cost competitiveness and deepen relationships with our customers, while solidifying the basis of our gas business, which consists of ensuring safety, security and stable supply, in order to continue to achieve growth in the city gas business.

Efforts to Support the Lives of People in the Region



To accommodate new lifestyle patterns, together with working to augment out our sales content that merges both physical and digital points of contact, we are strengthening the provision of products and security services that delivery enriches lives together with safety and peace of mind, and will continue to support the daily lives of the region as a partner meeting the diverse needs of our customers.

Augmentation of New Sales Content Merging Physical and Digital Points of Contact

P26 Special Feature: Efforts in the Use of Digital Technologies

Along with working to augment our e-commerce sites* and make them permanent in June 2021, and partly in response to the COVID-19 pandemic, in April 2021 we launched a remote sales location for accommodation at a distance of a full range of inquiries regarding gas equipment and other aspects of daily living. By further rounding out our digital points of contact, which are in addition to ENEDO and other service locations with close ties to the local community, we are accommodating the diverse needs of our customers.

* An e-commerce site is an Internet website where products are sold.

Augmentation of our e-commerce sites

Toho Gas's Gas Exhibit and other such websites that heretofore have only been online for limited periods have been given a permanent presence. They offer a full lineup of products for daily living, including not just gas equipment but also toilets, system kitchens, and other renovation products, air conditioners and other household electrical equipment, delivery boxes, and more.



Toho Gas Group Official Web Shop : <https://webshop.tohogas.co.jp/>

Club TOHOGAS membership expansion

The number of members in Club TOHOGAS, our members-only website chiefly for residential customers, has reached half a million. We will further round out services and expand the number of members.



Club TOHOGAS top page <https://members.tohogas.co.jp/>

Offering Products and Security Services Providing Enriched Lives As Well As Safety and Peace of Mind

We strengthened the resilience functionality of the ENE FARM residential-use fuel cell batteries that utilize hydrogen energy. Together with bringing safety and peace of mind to daily lives, we are contributing to expanding the presence of net zero energy houses (ZEHs)*. The cumulative total number of ENE FARM units sold has exceeded 27,000.

* ZEH: This refers a structure whose aim is to realize zero annual net consumption of primary energy in combination with renewable energy and the like.



ENE FARM residential fuel cell system

Sales of the new ENE FARM

This has networking functionality installed as standard equipment, and is installed with functions that sense information regarding risk of power failure and automatically make preparations against power outages. If a power failure occurs ENE FARM generates electricity, and if city gas and tapwater are supplied, up to 500W of electrical power can be used during a power outage for as long as eight days.

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ガス機器修理サービス



Through phone service that is accessible 24 hours a day, 365 days a year, we ensure the peace of mind and convenience of around-the-clock access when moving house or when sudden repair services is needed. We also began a temporary loan service for gas equipment*3 for use until repairs are completed.

Under the COVID-19 pandemic, we are also thoroughly implementing infection-prevention measures that include hand sanitizing and temperature measurement in our customer services and security assurance systems.

*1 Acceptance of repair requests and reservations for gas and electricity connections only (on-site repair service is not included)
*2 Gas appliance repairs services from 7:00 p.m. to 9:00 p.m. are available to our gas customers for residential gas appliances (commercial gas equipment, gas heat-pump [GHP] air conditioners, and the like are excluded).
*3 Replacement gas equipment is loaned to contracted gas customers when repairs to a gas stove or gas fan heater are not completed on the day of the initial on-site repair servicing. For details, please see our website.



Improved services for non-Japanese resident customers

We have prepared a nine-language guidebook on how to use gas equipment safely for non-Japanese resident customers. This is also viewable on our website.

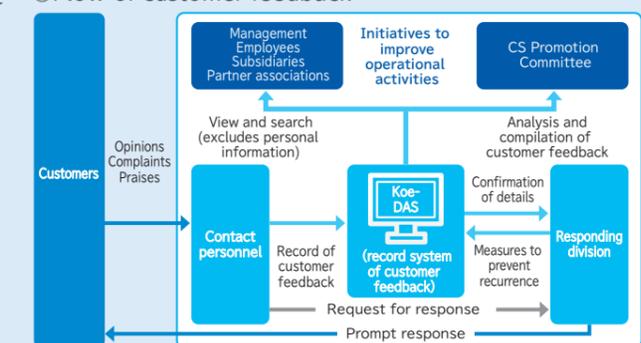
Improvement in CS* *Customer Satisfaction

Based upon our "customer first" management policy, the Toho Gas Group has a CS Promotion Committee, whose members include officers and department heads, where we decide on basic policy for CS activities. Based upon this, the CS Governing Board and CS organizations within each division, together with subsidiaries, ENEDO, gas engineering companies, and others, work together to improve work quality and service.

Customer feedback gained through contact with various customers is used to create a valuable management resource database. We share this with related divisions for the purpose of prompt response and operational improvements.

We also conduct a Customer Satisfaction Survey when customers subscribe to gas, have gas equipment repaired, or have our regular safety inspections. The results are reported to the relevant divisions, which leads to improvements for gaining better CS.

Flow of customer feedback



Examples of Improvements Made Through Customer Feedback (FY2020)

| | |
|-------------------|--|
| Customer feedback | I would like to be able to apply over the Internet to make rate payments by credit card |
| Response | Began accepting rate payment applications by credit card from our Club TOHOGAS membership-based web service |
| Customer feedback | I would have more peace of mind if there were a city gas warning device that would function if a gas leak occurred during a power outage |
| Response | Adopted a battery-powered city gas warning device |

Efforts to Support Manufacturing and Businesses in the Region



Together with devoting effort to reducing carbon through switching fuel types to natural gas as a move toward achieving carbon neutrality, we are promoting high-efficiency energy conservation and advanced utilization of energy in line with the diverse needs of our customers. Further, we also offer high quality services that are not limited to energy-related matters (total business support), even over the Internet.

P19 Special Feature: Efforts Addressing Climate Change P28 Special Feature: Efforts in the Use of Digital Technologies

Promotion of Fuel Type Switching and Advanced Utilization

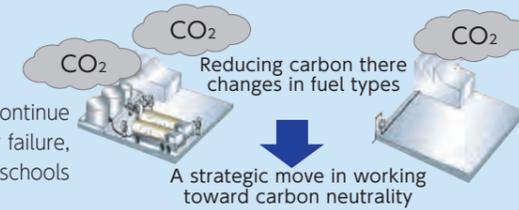
To promote a stepwise transition to decarbonization, as an initiative for the present, we are pressing ahead with reducing carbon by switching to city gas through the adoption of high-efficiency burners and the that utilize Toho Gas's engineering capabilities and the latest technologies. In keeping with the diverse needs of our customers, we are promoting the adoption of high-efficiency, independent power supply cogeneration and gas air conditioning, which can also lead to improved resilience. We support the introduction of this equipment by proposing energy services and subsidies.

Promotion of Reducing Carbon by Switching Fuel Types to Natural Gas

For customers using heavy oil, diesel oil, and the like, which produce large amounts of CO₂ emissions, we propose switching the fuel type to natural gas.

Improved resilience through adoption of independent power supply GHP air conditioners

Independent power supply gas heat pump (GHP) air conditioners can continue to provide illumination and air conditioning during an electrical power failure, and we propose them for such locations as gymnasiums at elementary schools and middle schools, which are also used as evacuation shelters.



Providing total business support over the Internet

In April 2021 we launched our new TOHOBIZNEX website for commercial customers. Here we provide support for business earnings and task improvements for our customers, and provided added value that is not limited to energy-related matters.

Stable Energy Procurement at a Reasonable Price

Materiality 2
Ensuring safety and security, and stable supply

We promote stable LNG procurement at reasonable prices through expanding the distribution of procurement areas and diversification of price indexes and contract types. We are also strengthening our involvement in the LNG value chain through such moves as investing in upstream rights and interests, midstream business operations, and LNG carriers.

Diversification of LNG Procurement

We are configuring a stable procurement system by expanding the distribution of LNG procurement areas. To reduce fluctuations in LNG procurement prices that accompany sudden changes in resource prices, we devote effort toward diversifying price indexes and contract types.

Participation in the Value Chain

Through such endeavors as investing in upstream rights and interests, midstream business operations, and LNG carriers, we are also strengthening our involvement in the value chain (from production to transport to receiving and storage) for the LNG we purchase. We will continue to examine taking part in planning in every process in the value chain.



Secure Stable Supply and Safety

Materiality 2
Ensuring safety and security, and stable supply

Aware of the rising intensity of natural disasters, we are working to augment measures for facilities together with "soft" measures, further strengthening our disaster-response capabilities. In order to secure stable supply and security, we are pushing forth such efforts as the adoption of efficient methods of high reliability that utilize digital technologies.

Advancing Security Measures and Disaster Measures

We are devoting efforts to measures that also cover the security targets and action plans of the gas safety elevation plan 2030 established by Japan's national government. We are also advancing measures in terms of both hard and soft infrastructure for response to natural disasters, including Nankai megathrust earthquakes.

- Segmentation of supply-stoppage blocks and adoption of early recovery methods
- Use of IT to speed recovery after a disaster
- Strengthened recovery and response capabilities through drills that take into account forecasts of intense water damage from the Nagoya University Disaster Mitigation Research Center

Measures against large-scale earthquakes at LNG terminals were completed in FY2020. Under our measures against aging, we conduct appropriate equipment upgrades according to the state of deterioration.

Based on government-issued flood hazard maps, we pressed ahead with replacement of old-style pressure regulators* that are anticipated to suffer flood damage on occurrence of an event such as a river overflowing because of rain, and measures were completed in all areas in FY2020.

* Devices installed in every area that regulate the supply pressure of gas



Measures against aging at gas manufacturing works (valve replacement on a main gas transmission pipeline)



Anti-flooding measures for pressure regulators (left: before implementation, right: after implementation)

Expansion of Natural Gas Service Areas

Materiality 2
Ensuring safety and security, and stable supply

Materiality 3
Contribution to local communities

By expanding pipeline networks for city gas, broadening supply areas, and also expanding supply by LNG tank trucks, we are delivering natural gas to customers in a broader area.

Expansion of City Gas Service Areas

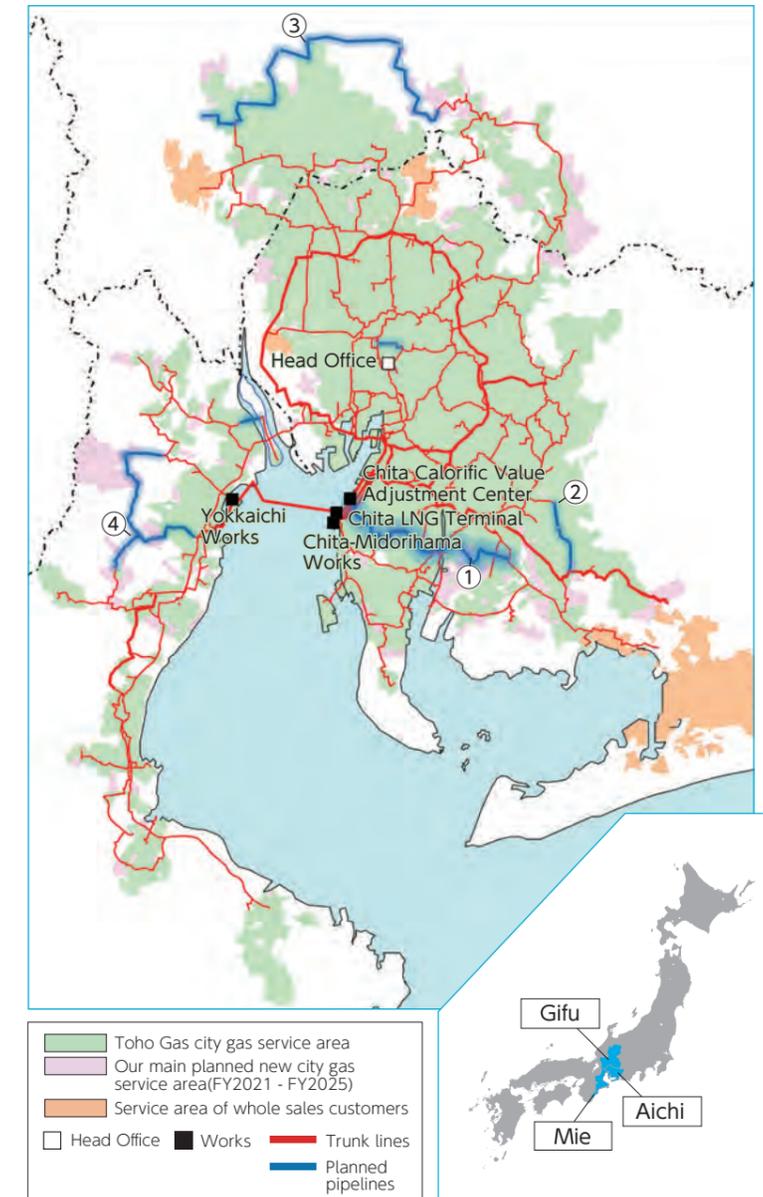
The gas pipeline network that Toho Gas has constructed heretofore has a total length of 30,000 km.

To supply city gas in a stable way, we are promoting improvement and expansion of the gas pipeline network from a medium- to long-term perspective, expanding the area of supply and increasing the amount of gas sent. We are pushing ahead with laying trunk lines in aims of improving supply stability in the Mikawa region of Aichi Prefecture, developing demand and expanding supply areas in the prefectures of Gifu and Mie, and conduction line extension work and loop formation aimed at improving the supply stability of existing pipeline networks.

| | Main planned lines | Pipeline length |
|-------|----------------------------------|-----------------|
| Aichi | ① Nambu Trunk Line (Chita-Anjo) | 30km |
| | ② Daimon-Sakazaki Line | 10km |
| Gifu | ③ Motosu-Gifu-Minokamo Line | 60km |
| Mie | ④ Komono-Yokkaichi-Kaneyama Line | 40km |



Trunk line construction work



Expand LNG Tank Supply to Wider Areas

We are advancing stimulation of demand for gas in a broad area that includes not only the three prefectures in the Tokai region but also in peripheral areas and the Hokuriku region by deploying LNG tank trucks.



LNG tank trucks

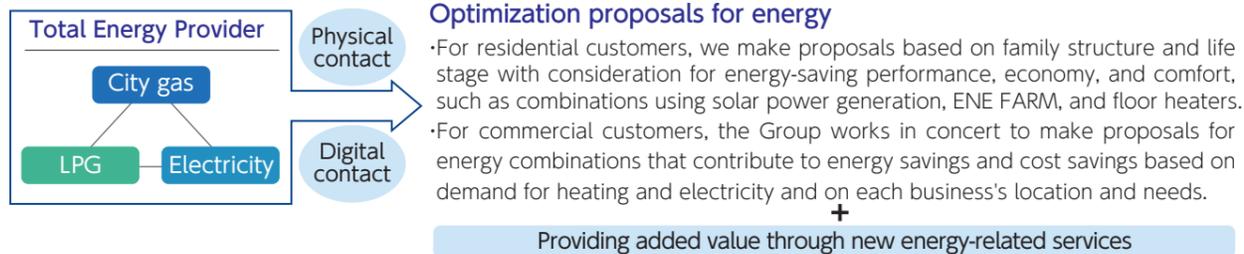
Strategy 2 Development into a Total Energy Provider

We are taking full advantage of the features of the three different energies of city gas, LPG, and electricity to make optimization proposals according to customer needs and usage conditions, increasing our total of approximately three million customers by around 1% a year.

Materiality 1
Provision of energy and related services

Toward Development into a Total Energy Provider

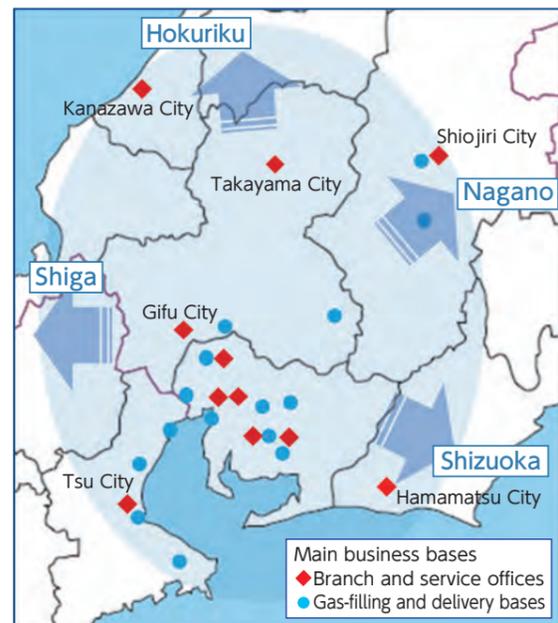
We propose optimal energy combinations of city gas, LPG, and electricity to match such factors as customer needs, location, and state of equipment usage. In addition to physical contact through the direct meetings with customers that are a strength of the Toho Gas Group, we are also working to further augment our digital presence, and thereby provide new services.



Materiality 1 Provision of energy and related services
Materiality 2 Ensuring safety and security, and stable supply
Materiality 3 Contribution to local communities

Strengthening of the LPG Business

We are expanding our LPG business activity areas from the core areas of the three Tokai prefecture to the Hokuriku, Shiga, Nagano, and Shizuoka areas together with making such moves as enhancing the efficiency of gas-filling and delivery, thereby reinforcing the business foundation.



Demand Expansion Through Broad Area Development and Business Cooperation

We are making use of the Hamamatsu Service Office of Toho Liquefied Gas Co., Ltd. established in FY2020 to strengthen stimulation of demand in the Shizuoka area, together with cooperating with other companies and striving to steadily expand numbers of customers and sales volumes.

The Group is working in an integrated way to advance activities in a broad area by making good use of the business bases of both Toho Liquefied Gas Co., Ltd. and the Yamasa Group.

Enhancing the Efficiency of Gas-filling and Delivery

We are integrating the Group's delivery companies (Toeki Kyokyu Center and Ripikkusu) and promoting greater efficiency in gas-filling and delivery for the entire Group. Further along with restructuring delivery systems, we are utilizing remote meter-reading technology and the like to promote optimization of delivery.



Integration of delivery companies in the Group



Remote meter-reading device

Expansion into the Electricity Business

Materiality 1 Provision of energy and related services
Materiality 4 Realization of a society in harmony with the environment

Together with steadily expanding demand for electricity through enhancement of services, we are pushing ahead steady electricity procurement at reasonable prices. We are strengthening our development system and expanding adoption of renewable energy.

Enhancement of Services and Stable Electricity Procurement at Reasonable Prices P77 Fundamental Data

We are introducing new electricity rate plans in collaboration with services from other companies, such as the launch of the Gift Denki Plan*1 (for April 2021) and the increase in the reward rate under the Point Denki Plan*1 (from April 2021). We are conducting verification experimentation for development of new services such as virtual power plants (VPPs) and home demand response. Along with achieving stable procurement at reasonable prices through diversification of suppliers and schemes, we are also conducting procurement of electricity sourced from renewable energy.

*1 An Amazon Gift Card reward worth up to 8% of monthly electricity charges *2 The reward rate for the d POINT CLUB point service from NTT Docomo, Inc., through which d POINTs are earned according to monthly electricity charges, was increased from 5% to 8%.
Note: Under both plans, renewable energy power generation promotion charges are excluded. For details, please see our website.

Expansion of the Introduction of Renewable Energy

In addition to solar power generation, we are also strengthening development of biomass and other power generation, and are expanding adoption of renewable energy. We foresee the handled amount of renewable energy power sources* in FY2021 to be approximately 43 MW.

* The handled amount of renewable energy power sources includes power sources developed and owned domestically and overseas, feed-in tariff (FIT) scheme power sources, and procurement.

Strengthened development of renewable energy power sources

As we move toward expanding adoption of renewable energy, in April 2021 we established a dedicated organization to undertake development. In FY2021, along with a solar power plant and a biomass power plant scheduled to go into operation, we are advancing development of more renewable energy power sources that include wind power and hydroelectric power.



Solar power plant now in operation



Biomass power plant under construction and scheduled to go into operation in FY2021

Participation in planning for biomass power generation in Yatsushiro, Kumamoto Prefecture

Through joint investment together with ENE-VISION, Co., Ltd. and Chubu Electric Power Co., Inc., we are developing a woody single-fuel combustion biomass power plant having a power-generation output of 75 MW in Yatsushiro City, Kumamoto Prefecture, with operation scheduled to begin in June 2021.

Investment in renewable energy funds

Through investments in multiple funds that finance renewable energy power sources, we are contributing to achieving carbon neutrality and accumulating expertise in operation.

Launch of the New "Green Eco Plan" (Sai-ene Denki) Electricity Rate Plans

On September 28, 2020, we incepted the Green Eco Plan (Sai-ene Denki) electricity rate plans. Subscribing to these plans*1 enables the subscriber to use electricity that, in real terms, is from renewable energy and produces zero CO₂ emissions. Under the Green Eco Plan (Sai-ene Denki), the amount of CO₂ emissions is effectively zero through a combination of electricity that is, in principle, generated by means of renewable energy*2 with a non-fossil certificate*3.

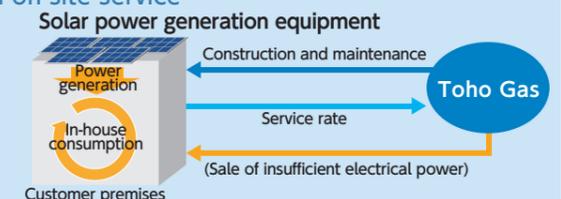
*1 Three types of plans are available: the Green Eco Plan (Sai-ene Denki), the Green Eco Plan (Sai-ene Denki) C, and the Green Eco Plan (Sai-ene Denki) Doryoku. *2 This includes renewable energy electricity purchased using a feed-in tariff scheme (FIT electricity). *3 For electricity generated from non-fossil power sources, the non-fossil value is separated, and it can be traded in the form of certificates.

Start of a Company-oriented Solar Power Generation On-site Service

In June 2021, we started a company-oriented solar power generation on-site service, a first for Toho Gas. This service enables customers to use solar power generation with an initial investment of zero yen. Because power generation is possible as long as sunlight is available, this can also help strengthening resilience in times of disaster.

About the company-oriented solar power generation on-site service

Under this service, an operator installs and owns solar power generation equipment on the customer's premises, performs maintenance and management, and supplies the electricity generated using the equipment to the customer. This service lets customers use renewable energy producing no CO₂ emissions with zero initial investment.



Strategy 3 Taking on New Scopes

We will work to enhance energy-related businesses at home and abroad and venture into new business scopes with synergy effects, in order to expand our revenue-earning sources.

Reinforcement and Development of Group Businesses

▶▶▶ **Materiality 1** Provision of energy and related services **Materiality 3** Contribution to local communities

We will steadily strengthen and expand Group businesses, particularly focused on four scopes: the renovation business, the comprehensive utility service business, the real estate business, and outside sales of gas production and supply technologies.

Expansion of the Renovation Business P26 Special Feature: Efforts in the Use of Digital Technologies

My House Meister, our brand devoted exclusively to renovation, has grown to 18 sales locations (as of July 24, 2021). Further, under the concept of "bringing ideal living into view," we have opened My House Meister's first showrooms where renovation plans can be experienced through virtual reality (VR) in Nakamura-ku, City of Nagoya, and in Kuwana City, Mie Prefecture. Henceforth we aim to successively expand our sales location network and products carried, becoming a general partner in customers' daily lives in the region.



Artist's concept of renovation plans that can be experienced using VR

Strengthen Comprehensive Utility Services

We will strengthen and expand our comprehensive utility services business, also devoting effort to construction, maintenance, and operation of non-gas equipment, such as -conditioning and electrical equipment, and energy management.

●An example of CO₂ savings and boosted resilience (Colorful Town Gifu)

We adopted an energy management system that combines an independent power source cogeneration system with latent-heat storage materials, storage batteries, and other equipment to achieve CO₂ savings and improved disaster mitigation. (Selected for the FY2020 sustainable buildings and construction initiative project [CO₂ emissions reduction initiative project] fund)



Colorful Town Gifu

Expansion of the Real Estate Business

We are expanding leasing business and other operations utilizing former plant sites, former sales locations, and other properties we own.

●Promotion of Development of Minato AQUUS

At Minato AQUUS, a smart town whose development we are advancing in Minato-ku, City of Nagoya, following on condominium construction in the first zone (completed in September 2020), we began construction in the second zone in March 2021. Going forward, in phase II development, together with pressing ahead with the attraction of operators, we aim to combine many kinds of technologies, including hydrogen and renewable energy, and achieve carbon neutrality in energy supply. P55 Contribution to the Local Communities

●Using the site of the former Nakamura Sales Office

We constructed commercial and residential facilities at the former Nakamura Sales Office (completed July 2021; occupation also begun in July). The Hivi Casa Meieki Nishi residential complex is the second Hivi Casa rental condominium complex after the one in Mizuho.



Hivi Casa Meieki Nishi

Expansion of Outside Sales of Gas Production and Supply Technologies

We are taking our independently developed non-cut method for ductile cast pipes called the "stream method," the first in Japan, and applying it in gas construction.

We have also begun investigating its extension to water pipeline construction.

Development of New Businesses

Utilizing the technology, expertise, and resources we have cultivated in our business and sales heretofore, we are actively engaging in expanding energy-related business operations in Japan and abroad. We also aim to expand business by leveraging the Group's strengths and resources to advance into non-energy domains.

Domestic Energy

We are utilizing the expertise and resources of city gas, LPG, and power business operations and collaborating with other companies to strengthen business development such as city gas, regional electricity business installations, and renewable power generation.

●Selected as the preferred negotiation right holder in the transfer of Kanazawa City gas and power generation business operations

Jointly Hokuriku Electric Power Company and four other companies*, we applied for the transfer of gas business and power generation business in Kanazawa City, and were named preferred negotiation right holder (February 2021). Going forward, it is expected that following such moves as approval by Kanazawa's city council, we will receive the transferred business in April 2022.

* The Hokkoku Bank, Ltd.; The Hokkoku Shimbun Co., Ltd.; Matsumura Bussan Co., Ltd.; and Komatsu Gas Co., Ltd.

Overseas Energy

In Southeast Asia, Europe, North America, and Australia, we are pressing ahead with participation in the energy-usage and LNG-terminal businesses as well as other businesses where we can make the utmost use of technologies and expertise in conduits and other components, including consulting on LNG and gas sales, gas pipeline business operations, and LNG tank construction. Following on our endeavors in Japan, we are strengthening initiatives for renewable energy overseas as well, thereby contributing to carbon neutrality.

●Participation in LNG Canada liquefaction business

In March 2021, we decided to invest in and participate in planning for LNG Canada's liquefaction business.

Taking Up the Challenges of New Domains

With resolution of social issues, sustainability, and regional economic development as our key concepts, we are utilizing the Toho Gas Group's technologies and assets to advance business development in new domains. Through such efforts as alliances with other companies, participation in acceleration programs from the planning stages, and investing in venture capital funds, we are making good use of cooperation with startup enterprises and accelerating our efforts.

●Participation in NAGOYA Movement, an acceleration program sponsored by the City of Nagoya

We are pressing ahead with alliances with startup enterprises and other such entities that possess technology which could help resolve social issues.



●Inception of TOHOGAS ACCELERATOR PROGRAM 2020

We are sponsoring a joint development program with startup companies that is geared toward new business creation in commercial fields (medical, caregiving, and manufacturing). Business plans were formulated and market surveys conducted in FY2020, with the plan being to verify viability and launch the services in FY2021.



●Investment in venture capital funds

Utilizing cooperation with startup enterprises through investment in venture capital funds, we are accelerating our endeavors for new business development.

Reinforcing the Business Foundation of the Toho Gas Group

Promotion of Technical Development

Through making equipment development and heat-using technologies more advanced, we are contributing to reducing carbon and conserving energy. We are devoting even greater attention to utilizing the latest digital technologies and IoT, and are pushing ahead with the development of new products and services.

Carbon Reductions and Energy Savings in Industrial Applications

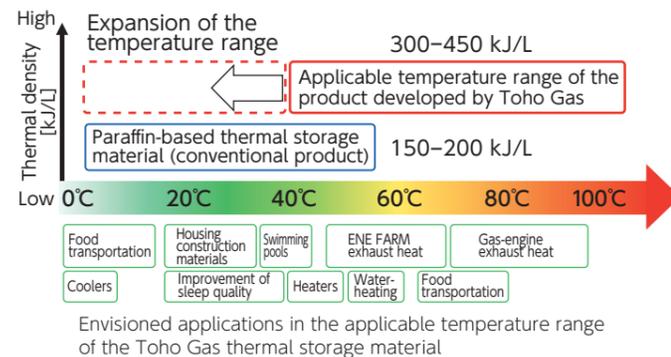
We are advancing modification and development of burners matched to customer needs, including switching fuel types and achieving greater space savings for industrial furnaces, thereby contributing to reduced carbon and energy savings at customer locations.

- Burner development for large-capacity, high-temperature combustion furnaces
- Development of higher-output, lower-cost indirect-heating burners



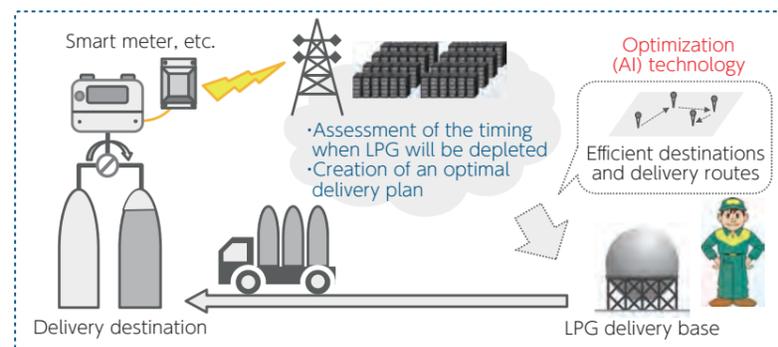
More-advanced Heat-using Technologies

We have developed our own original thermal storage material that is capable of storing large amounts of heat in a small volume (performance 2 to 3 times that of conventional materials). By utilizing this thermal storage material, we can expect to see such benefits as vastly smaller sized for thermal storage tanks and reduced radiated heat loss. We aim not to simply stop with delayed use of unused exhaust heat, but also to develop a wide range of applications, such as temperature regulation and heat transportation.



Development of Services Utilizing Optimization Technology

Employing optimization technology based on data on customer's remaining amounts of LPG, we are investigating systems for automatically selecting optimal delivery routes for LPG containers.



Evaluation of Leading-edge Optimization Technology

Utilizing quantum annealing technology*1, which is an example of leading-edge optimization technology, we are investigating such matters as optimizing operation control for ENE FARM.

*1 Technology that, by applying the properties of quantum mechanics, leads to optimal solutions with much greater efficiency than conventional computers

Reinforcement and Use of Human Resources

P61~66 Human Resource Management

We are developing human resources to support the growth of the Group and realize flexible working styles to utilize human resources. We are promoting the creation of a worksite where every employee can be actively involved in a lively way.

Employment and Development of Diverse Human Resources

We are expanding hiring of women and mid-career recruits, further advancing the securing of diverse human resources. Also, through such efforts as supporting development through mentoring systems and the like, strengthening education programs, and systematic personnel rotation within the Group, we are promoting the early cultivation and active involvement of human resources in a broad way.

Strengthening Development of Digitally Proficient Human Resources

With the goal of promoting utilization of in-house information and communications technology and digitalization of operations, we are expanding development programs for acquiring expert skills.

Internal recruitment system

We created a forum where the process from idea conception to business implementation can be learned systematically. Utilizing our internal recruitment system, we encourage cultivation of business people of great imagination.

Realization of Flexible Working Styles

By promoting utilization of telework with its freedom of location (working from home or working at satellite offices) and a flextime system, we are striving both to prevent COVID-19 infections and strike a good work-life balance for our employees. Together with expanding support for compatibility of child-rearing, caregiving, and recuperation with work, we also support diverse career modalities for women and seniors. We are advancing the creation of a workplace that employees feel to be pleasant to work at and rewarding, and aim to further enhance employee engagement.

Enhancement of the Organizational Structure and Greater Task Efficiency

In addition to smoothly and surely taking measures to legally separate the pipeline division, we will also devote effort to transformation of organization so that we can flexibly respond to changes in the environment for sustainable growth. We are promoting utilization of digital technologies and sweeping measures to make tasks more efficient.

Actions Toward Legal Separation of Gas Pipeline Divisions

We established the Pipeline Network Company in FY2020, aiming for legal separation (spin-off) of pipeline division in April 2022, and have been addressing issues while trialing task systems. To carry out the preliminary procedures for approval and authorizations prior to the spin-off, in April 2021 we established Toho Gas Network Co., Ltd. as a split preparation company. Going forward, we will advance preparations for a smooth and sure spin-off.

| FY2020 | FY2021 | FY2022 |
|-------------------------------------|--|---------------------------|
| ★Establish Pipeline Network Company | ★Establishment of Toho Gas Network Co., Ltd. | ★Legal separation |
| Pipeline Network Company | | Pipeline-business company |

Organizational Reforms for Flexible Response to Environmental Change

In the Residential Gas Sales Division, to speed up the process from policy formulation to execution and respond flexibly to change, we have integrated the sales staff and front organization for each individual market and function. By furthering alliances with government administrations and regional enterprises, we have deployed "local managers" in Mikawa, Gifu, and Mie to enable us to contribute to the development of local communities (March 2021).

Business Process Re-engineering (BPR)

We are promoting greater efficiency in tasks that utilize, electronic payment, web conferencing, chat bots, and other such means.

Initiatives for ESG

The Toho Gas Group has heretofore supported customers' lives and manufacturing in the region through the supply of energy, contributing to the development of the region and transformation into a low-carbon society, and ESG has been the very business activities themselves.

Going forward, we will promote ESG management so as to be able to meet the trust of our customers, the local communities, shareholders and investors, employees, and other stakeholders.

Participation in the UN Global Compact

The Ten Principles of the United Nations Global Compact

The Toho Gas Group is a signatory to and participant in the UN Global Compact advocated by the United Nations.

The UN Global Compact is a voluntary initiative through which companies and organizations, by demonstrating responsible and creative leadership, act as good members of society and participate in the creation of a global framework for achieving sustainable growth.

The Toho Gas Group supports the Ten Principles of the United Nations Global Compact in the four areas of *human rights*, *labor*, *the environment*, and *anti-corruption*, and will promote resolution of social issues through business activities, together with contributing to achieving SDGs.



| | |
|-----------------|---|
| Human Rights | < Principle1 > Businesses should support and respect the protection of internationally proclaimed humanrights; and < Principle2 > make sure that they are not complicit in human rights abuses. |
| Labour | < Principle3 > Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; < Principle4 > the elimination of all forms of forced and compulsory labour; < Principle5 > the effective abolition of child labour; and < Principle6 > the elimination of discrimination in respect of employment and occupation. |
| Environment | < Principle7 > Businesses are asked to support a precautionary approach to environmental challenges; < Principle8 > undertake initiatives to promote greater environmental responsibility; and < Principle9 > encourage the development and diffusion of environmentally friendly technologies. |
| Anti-Corruption | < Principle10 > Businesses should work against corruption in all its forms, including extortion and bribery. |



Environment Report

- Management of Environmental Preservation
- Global Warming Countermeasures
- Resource Recycling
- Biodiversity Conservation



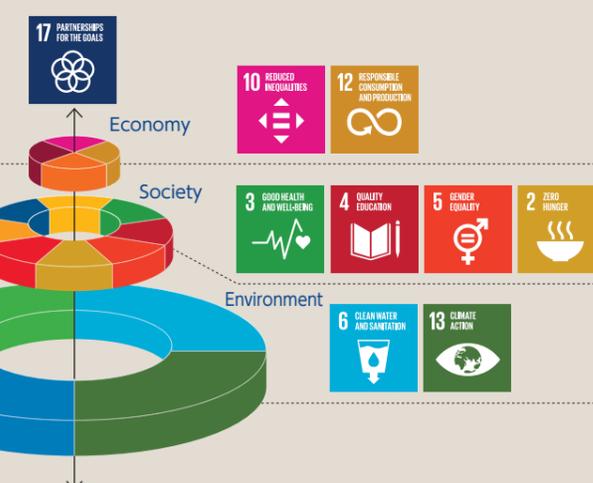
Social Report

- Biodiversity Conservation
- Contribution to the Local Communities
- Enhancement of Communication with Shareholders and Investors
- Human Resource Management



Governance Report

- Corporate Governance
- Internal Control
- Compliance
- Board of Directors and Audit & Supervisory Board Members
- Messages from Outside Officers



SDGs Wedding Cake

Original graphics by Jerker Lokrantz/Azote based on a concept by Johan Rockström and Pavan Sukhdev; modified with their permission by MS&AD InterRisk Research & Consulting, Inc. (Unauthorized reproduction or transfer prohibited)

Management of Environmental Preservation

Basic Concept

Toho Gas Group established the environmental management system by setting its Environmental Action Principles and Environmental Action Guidelines, to help the realization of an environmentally harmonious society. We set environmental action goals for the Group and conduct various activities to achieve the goals.

Environmental Action Principles

The Environmental Action Principles (established in 1993; final revision in 2011) are regarded at Toho Gas's business policy.

| | |
|---------------------|---|
| Basic Policy | Toho Gas and its Group companies recognize the importance of preserving the environment on regional and global basis. By giving priority to supplying clean energy, the Group will do its utmost to create an environmentally harmonious society through all its business activities. |
| Principles | Principle 1 The Group will contribute to reducing the impacts of its business activities on the environment related to customers. |
| | Principle 2 The Group will reduce the impacts of its business activities on the overall environment. |
| | Principle 3 The Group will contribute to environmental preservation in collaboration with local communities and the global community. |
| | Principle 4 The Group will step up research and development regarding environmental preservation technologies. |

Environmental Action Guidelines

Our Environmental Action Guidelines (established in 2011) set out the concept and content of key environmental activities that the Group is engaged in.

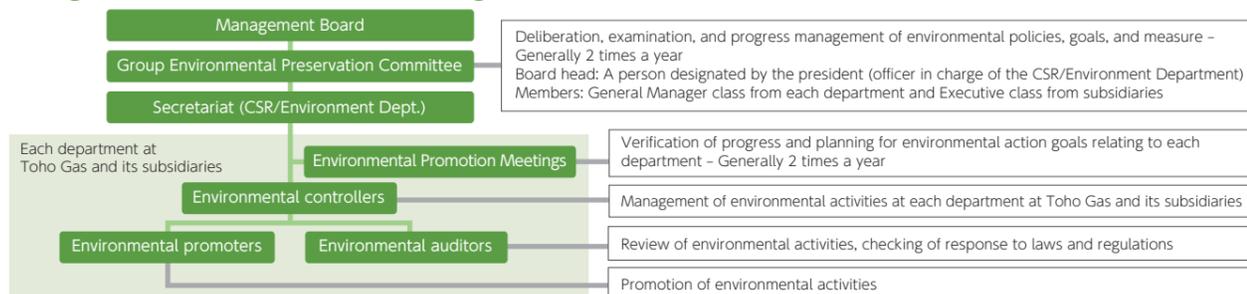
| | |
|--|--|
| Global Warming Countermeasures | The Group will reduce customer CO ₂ emissions and promote effective and realistic global warming countermeasures through the expansion, highly-efficient use, and high-degree application of clean energy sources, such as environmentally-friendly natural gas, and the utilization of renewable energy. The Group will work to reduce CO ₂ emissions in its business activities through continuous improvement of its operational activities. |
| Resource Recycling | The Group will promote the effective use of resources in each stage of business activities and reduce, reuse and recycle waste to minimize external emissions. |
| Biodiversity Conservation | The Group recognizes the importance of biodiversity and will work to grasp and analyze the impact of business activities on biodiversity as well as promoting biodiversity-friendly activities. |
| Environmental Social Contribution | The Group will conduct environment-related social contribution activities by participating in environmental activities/projects in collaboration with local communities and the global community. |
| Technology Development | The Group will promote technology development that contributes to reducing our environmental impact, such as the highly-efficient and high-degree application of city gas/LPG gas. |
| Environmental Management | Recognizing the impact of its business activities on the overall environment, the Group will rigorously enforce environmental management, and develop human resources who are environmentally conscious and can act on their own initiative. |

Organizational Structure for Management of Environmental Preservation

We have set up the Group Environmental Preservation Board, consisting of Toho Gas and its major subsidiaries. The committee aims to reduce impacts of Group activities on the environment and promote the Group's compliance with laws and regulations related to environmental preservation. Specifically, the committee is designed to formulate the Group's basic policy on environmental preservation activities while setting goals regarding such activities. It is also intended to discuss and study measures aimed at achieving these goals, and manage implementation of the measures. Regarding environmental action goals in particular, we have established an Environmental Promotion Meeting in each department to verify progress and realization planning in conjunction with the Group Environmental Preservation Board.

We deploy staff to handle environmental affairs at each department of Toho Gas and its subsidiaries. "Environmental promoters" are tasked with undertaking specific environmental activities. "Environmental auditors" are in charge of reviewing what has been achieved through environmental preservation activities and checking if these activities are consistent with relevant regulations. "Environmental controllers" are assigned to control the activities of the "environmental promoters" and "environmental auditors." The deployment of these environmental experts is meant to get the PDCA cycle (plan, do, check, act) running smoothly.

Organizational Structure for Management of Environmental Preservation



Environmental Action Goals

The environmental action goals are formulated seamlessly in conjunction with the Medium-term Management Plan and efforts to reach them are promoted.

In FY2020, the second year of the period of the environmental action goals (FY2019 - FY2021), we made favorable progress in the goal areas, as shown in the table below.

Toho Gas announced the Toho Gas Group 2050 Carbon Neutrality Initiative in July 2021, and has formulated medium- and long-term goals through 2030 and 2050 oriented toward achieving carbon neutrality. Details are given on the Special Feature pages. [P19](#)

| Type | Goal item | Goal value | FY2020 results | Main initiatives for achieving goals; related pages |
|--------------------------------------|--|--|---|--|
| Global Warming Countermeasures | CO ₂ reduction target related to customers | 600 thousand tonnes-CO ₂ (3-year cumulative total) | 360 thousand tonnes-CO ₂ *1 | <ul style="list-style-type: none"> Switch to city gas, which produces small amounts of CO₂ emissions P21·46 High-efficiency burners, etc., adopted by customers P46 Encouragement of development and adoption of high-efficiency gas heat-pump (GHP) air conditioners, water heaters, cogeneration systems, etc. P47 |
| | CO ₂ emission intensity of city gas plants | 11.5 tonnes-CO ₂ /million Nm ³ or less (gas sales volume) | 9.3 tonnes-CO ₂ /million Nm ³ *2 | <ul style="list-style-type: none"> Adoption of reliquefaction equipment for boil-off gas (BOG), and improvement of control and operation methods for manufacturing equipment P49 |
| | CO ₂ emission intensity of the Energy Center | 75.1 tonnes-CO ₂ /thousand GJ or less (heat and electricity sales volume) | 75.3 tonnes-CO ₂ /thousand GJ*2 | <ul style="list-style-type: none"> Optimized operation of equipment, and operation of the high-efficiency smart energy system at Minato AQUUS P49 |
| | CO ₂ emission intensity of offices | 79.8 tonnes-CO ₂ /thousand m ² or less (total floor area) | 73.8 tonnes-CO ₂ /thousand m ² *2 | <ul style="list-style-type: none"> Implementation of increase-inhibition measures for air-conditioner load in the COVID-19 pandemic, and thoroughgoing familiarization efforts for energy-saving rules P49 |
| Resource Recycling | Zero emissions at city gas plants | Continuation (1% or lower final disposal rate) | Continuation (0.31% final disposal rate)*2 | <ul style="list-style-type: none"> Promotion of grading of sludge and of sorting and recycling of mixed waste materials P50 |
| | Recycling of waste generated after gas pipeline construction | Recycling rate of 99% or more | Recycling rate of 99.5%*2 | <ul style="list-style-type: none"> Resource recycling for asphalt and concrete lumps and for used polyethylene piping P50 |
| | Reduction in use of natural mountain sand and detritus in gas pipeline construction compared with use under conventional engineering methods | 15% or lower | 10.8%*2 | <ul style="list-style-type: none"> Promotion of construction methods that inhibit generation of excavated soil, use of temporary filling materials, and recycling of excavated soil P50 |
| | Recycling of general waste | Recycling rate of 80% or more | Recycling rate of 80.6%*2 | <ul style="list-style-type: none"> Sorting and collection of waste paper, and recycling of combustible waste P51 |
| Biodiversity Conservation | Promoting "3R" (reduce, reuse, and recycle) through green procurement and the recycling of used gas equipment | | | <ul style="list-style-type: none"> Green procurement amount 11.6 million yen*3 P51 Use of reusable bags P51 Reuse of gas meters P51 |
| | Promoting biodiversity conservation through business activities, etc. | | | <ul style="list-style-type: none"> Biodiversity Lectures using distributed video content, etc. P54 Forestry activities at Toho Gas Forests P54 Inochiwotsunagu ("Connecting Life") Project P53 Hana-ippai ("Many Flowers") Project P54 |
| | Promoting technology development for reducing CO ₂ emissions and improving efficiency | | | <ul style="list-style-type: none"> Japan Business Federation (Keidanren) Challenge Zero initiative Opening of Toyota Hoei Hydrogen Station P22 Start of research into CO₂ direct recovery technology using unused LNG cold and heat P21 Start of basic research into hybrid city gas and hydrogen engines P23 |
| Collaboration with Local Communities | Promoting initiatives such as environment social contribution activities and environmental education for the next generation in collaboration with local communities | | | <ul style="list-style-type: none"> SDG talks for high-school and university students P57 Production of an SDG video for elementary-school students (City of Nagoya) P54 Special classes at elementary schools, etc. P57 Local-community cleanup activities (including beach cleanup) P54 |

*1 Period cumulative value of FY2019 - FY2021 *2 Average of FY2019 - FY2021 *3 FY2020 value

Note 1: Unspecified values are average values of FY2019 - FY2021.

Note 2: The CO₂ emissions factor for purchased electricity is pegged at 0.474 kg-CO₂/kWh (Chubu Electric Power), a figure recorded in the base year (FY2009).

Note 3: The effects of efforts to reduce CO₂ emissions through private power generation are calculated using the CO₂ emissions factor (the emission factor for thermal power source) for marginal power source in the base year (FY2009) of 0.69 kg-CO₂/kWh.

Detailed data on the progress of the environmental action goals is posted on the Toho Gas website.

<https://www.tohogas.co.jp/lang/en/approach/eco/environment/eco-01/>



Management of Environmental Preservation

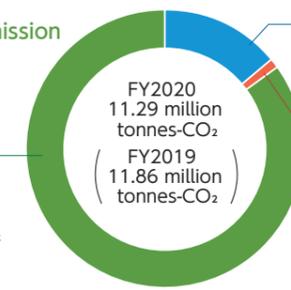
Environmental Load of the Value Chain

Toho Gas Group strives to recognize and reduce the environmental load generated through its business activities and in the value chain, including energy resource procurement sources, and city gas, LPG, and electrical power customers.

第三者保証 The following quantitative information is assured by an independent practitioner, Deloitte Tohmatsu Sustainability Co., Ltd.

Greenhouse gas emission amounts in the Toho Gas Group (CO₂ equivalents)

Customers (84%)
SCOPE 3
Category 11
9.50 million tonnes-CO₂



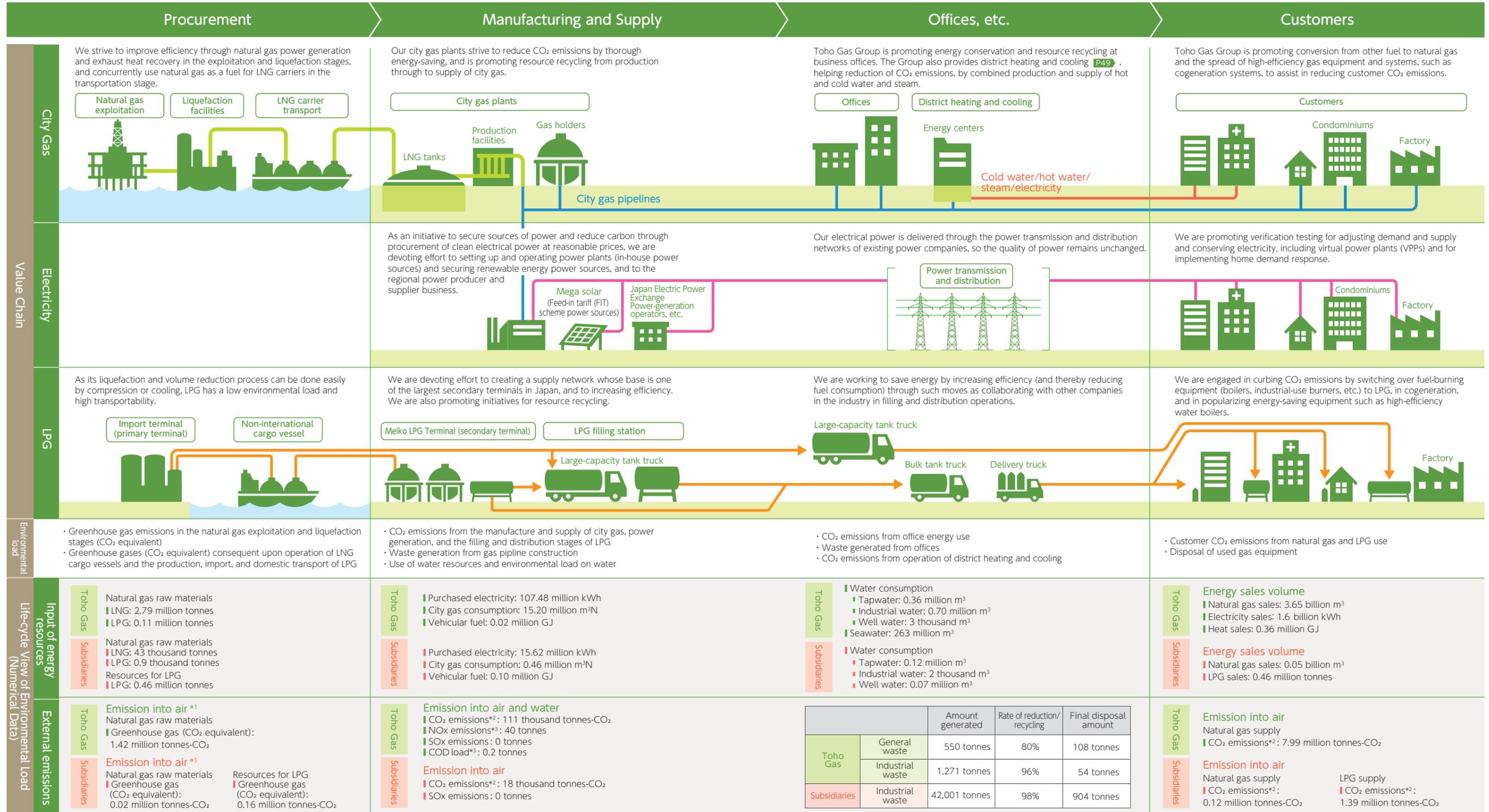
Procurement (15%)

SCOPE 3
Categories 1, 2, 3, and 4
1.65 million tonnes-CO₂

Business activities (1%)

SCOPE 1 & 2
129 thousand tonnes-CO₂
SCOPE 3
Categories 5, 6, 7, and 9
16 thousand tonnes-CO₂

SCOPE 1
Direct emission by business operator
SCOPE 2
Indirect emissions accompanying use of electricity and heat supplied by other companies
SCOPE 3
Indirect emissions other than SCOPE 1 & 2 (Emissions of others related to business activities of the operator)
Note: This is a breakdown of all emission amounts, including environmental load outside the value-chain scope. Detailed data is in ESG Data on our website.



*1 Sources of CO₂ emission factors used for calculation • LNG: Japan Gas Association website • LPG: Calculated based on "Future Forecast for Life Cycle Greenhouse Gas Emissions of LNG and City Gas 13A" from the Journal of the 26th Annual Meeting of the Japan Society of Energy and Resources (Vol. 28-2, published in 2007) (gross calorific value basis)
*2 CO₂ emission factors used for calculation (main emission factors) • City gas 2.29 tonnes-CO₂/thousand m³N • LPG 3.00 tonnes-CO₂/ton
• Electricity Value released by electric utilities operator in accordance with the ministerial ordinance under Act on Promotion of Global warming Countermeasures (cf. the ESG Data online)
*3 Target: manufacturing-related equipment for city gas and heating

Data from the past five years, including that for items not mentioned on this page, is in ESG Data on our website.
<https://www.tohogas.co.jp/lang/en/approach/eco/eco-10/environment/>



Management of Environmental Preservation

Environmental Management System (EMS) Certification

The Toho Gas Group is working proactively to acquire EMS certification to enhance its environmental management. We have obtained the ISO 14001 certification* at all city gas plants. Some subsidiaries have obtained Eco Action 21 certification from Japan's Ministry of the Environment. In addition, Toho Gas and subsidiaries we have also gained environmental certification from local authorities, such as Ecological Enterprise Certification from the City of Nagoya.

* An international standard for reducing environmental load and improving environmental management levels

| Types | Certified companies (offices) |
|--|---|
| ISO 14001 | Toho Gas (Chita-Midorihama Works, Chita LNG Terminal, Chita Calorific Value Adjustment Center, Yokkaichi Works) |
| Eco Action 21 | Toho Real Estate Co., Ltd., Toho Gas Engineering Co., Ltd. |
| Certification programs of municipalities | Toho Gas (headquarters, Minato AQUUS Energy Center, etc.), Toho Real Estate Co., Ltd. (Building Business Unit Imaike Gas Building, etc.), Toho Liquefied Gas Co., Ltd. (Nagoya Sales Office, etc.), Toho Gas Techno Co., Ltd. (Headquarters Office, etc.), Toho Gas Engineering Co., Ltd. |

Compliance with Environmental Laws and Regulations

The main environmental laws and regulations related to the Group are described below. In FY2020, we continued to respond to them appropriately, and experienced no accidents having a serious environmental impact, or any legal violations or penalties. We will continue to conduct education concerning environmental laws and regulations and self environmental audits to ensure compliance.

| Classification | Main environmental laws and regulations |
|--------------------------------|--|
| General | Basic Environment Act |
| Global Warming Countermeasures | Act on the Rational Use of Energy, Building Energy Efficiency Act, Act on Promotion of Global Warming Countermeasures, Act on Rational Use and Proper Management of Fluorocarbons, Act on the Protection of the Ozone Layer |
| Resource Recycling | Basic Act on Establishing a Sound Material-Cycle Society, Waste Management and Public Cleansing Act, PCB Special Measures, Act on the Promotion of Effective Utilization of Resources, Construction Material Recycling Act, Electrical Appliance Recycling Act, Containers and Packaging Recycling Act, Food Recycling Act, Small Electrical Appliance Recycling Act, Act on Recycling, etc. of End-of-Life Vehicles |
| Pollution Prevention | Air Pollution Control Act, Water Pollution Prevention Act, Noise Regulation Act, Vibration Regulation Act, Soil Contamination Countermeasures Act, Mercury Pollution Control Act, Law concerning Pollutant Release and Transfer Register (PRTR), Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc., Offensive Odor Control Act, Land Subsidence-related Law |

Environmental Education

Toho Gas Group provides environmental education by target employees. Even during the COVID-19 pandemic, we used video teleconferencing systems and remote conferencing tools to hold environmental seminars on topics such as environmental policies and social trends for senior management. We also annually conduct environmental law training seminars and e-learning courses tailored to different levels of managers and employees to raise awareness and knowledge of environmental laws and regulations and to bolster our response capabilities. In FY2020, to deepen awareness of environmental laws and regulations and of the importance of correct disposal of industrial waste among senior management and managers, we held an environmental compliance lecture meeting by an invited lecturer specializing in environmental laws and regulations.

| Name | Target |
|--|--------------------------------|
| Environmental training seminars | Senior management |
| Environmental compliance lecture meeting | Senior management and managers |
| Environmental law training seminar | Managers and employees |
| New employee training | New employees |



Environmental law training seminar held during the COVID-19 pandemic by using a remote conferencing tool

Self Environmental Audits

Toho Gas Group has conducted self environmental audits since FY1994. We conduct annual audits at workplaces of Toho Gas and subsidiaries whose operations relate to environmental laws and regulations. We use a duplicate audit system of primary audits at workplaces of Toho Gas and its subsidiaries that are related to environmental laws and regulations, and secondary audits at each department and company.

| Classification | Points checked at time of audit |
|--|--|
| Waste Management and Public Cleansing Act | Utilization of preliminary checksheets prior on the outsourced disposal of industrial waste, appropriate operation of temporary storage areas, etc., accommodation of mercury-containing waste regulations, manifest delivery and storage, regular reporting, etc. |
| Act on Rational Use and Proper Management of Fluorocarbons | State of storage of GHP and other regulated containers under the Act on Rational Use and Proper Management of Fluorocarbons |
| Other environmental laws and regulations | Accommodation of the Water Pollution Prevention Act in the event of oil-leakage accidents, status reporting and of compliance with regulation criteria with respect to the Air Pollution Control Act and legislation restricting noise and vibration |

Implementation of self environmental audits

Audit target Workplaces of Toho Gas and subsidiaries whose operations relate to environmental laws and regulations

Implementation period Aug. 2020-Sep. 2020

Environmental auditors Persons appointed at each department or subsidiaries

Provision of Environmental Data in Accordance with Regulations

Company position on Public Policy and Regulation

The Toho Gas Group endorses the policies of Aichi Prefecture, the City of Nagoya, and other local governments that address climate change, conducts measures in accordance with regulations, and provides environmental data.

| Major regulation | Initiative |
|--|---|
| Global Warming Countermeasure Promotion Ordinance (Aichi Prefecture) | We conduct thoroughgoing energy operations management and investigate medium- and long-term energy-saving equipment, and submit written plans and implementation status reports. All items have acquired the exemplary and advanced "S" evaluation. |
| Ordinance Concerning Conservation, Etc., of the Living Environment of Prefectural Residents (Aichi Prefecture) | We promote the introduction of low-polluting vehicles, including natural gas vehicles, fuel cell vehicles, and the like, and submit reports on the status of introduction of low-polluting vehicles. |
| Overview Relating to Usage Restraints, Etc., on Model-restricted Noncompliant Cargo Automobiles, Etc. (Aichi Prefecture, City of Nagoya) | For vehicles entering the premises of the Headquarters Office, we request usage of compliant vehicles, practicing eco-driving, and the like, and submit reports on measures, etc. |

Global Warming Countermeasures



Basic Concept

As an energy business operator, Toho Gas Group is implementing countermeasures against global warming based on the Environmental Action Principles established in 1993, taking into consideration the value chain in our gas operations. The need is also growing to implement alleviations measures with respect to the climate problem, which has been growing more urgent in recent years. The Group considers it crucial to make steady foundational reductions in CO₂ emissions, and we are implementing various specific measures, including the establishment of targets for the reduction of CO₂ emissions by customers and targets for reduction of the CO₂ emissions basic unit in our business operations.

Materiality 4 Realization of a society in harmony with the environment

Reduction of CO₂ Emissions at Customers

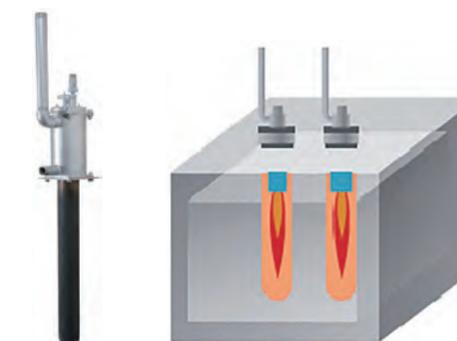
SCOPE 3 Contribution to Community-wide CO₂ Emissions Reductions

The Toho Gas Group has been promoting efforts aimed at reducing cumulative CO₂ emissions amounts at customer locations by 600,000 tonnes in FY2109 through FY2021, and the reduction in cumulative CO₂ emissions amounts in FY2019 through FY2020 was 360,000 tonnes, evidencing favorable progress.

Through advanced utilization of energy by means of changing fuel to city gas within its low CO₂ emission amounts, energy conservation, low CO₂, high-efficiency gas equipment, and the like, we are contributing to reducing energy consumption at customer locations and reducing emissions for society as a whole.

Energy-saving Governors

Our city gas supply area is a region containing many companies in the automotive industry, and the production of metal components for automobiles is also flourishing. To support this region in terms of technology, Toho Gas is providing energy-saving support in the processes that perform heat treatment for metal. At the Technical Research Institute, we have developed energy-saving burners, and in addition to proposing these at the time when a fuel switchover is made, we also make energy-conservation proposals on a day-to-day basis, supporting sustains energy savings and reductions of CO₂ emissions by our customers.



Burner Artist's concept of burner installation

<Example of Implementation>

ADVICS Co., Ltd.



<Customer Comments>

Following upon an increase in installed casting equipment, improvement of the casting process in terms of reducing CO₂ became an urgent matter, and we studied adopting immersion-tube heating burners (model: GIH). The GIH is capable of achieving vast energy savings by having a heat exchanger built into the burner, and thanks to a nozzle of new design, we anticipated less malfunctioning.

We introduced two burners on a test basis in 2015, and because we were able to reduce energy usage by 39% compared to electrical heaters, we plan to roll these out to all furnaces.

We were initially apprehensive about changing over to gas, but hearing about Toho Gas's efforts convinced us. We look forward to new proposals for reducing CO₂.



Aluminum holding furnace installed with the GIH

Global Warming Countermeasures

●Gas Cogeneration Systems

Gas cogeneration systems are energy-saving systems that generate electrical power using a gas engine or gas turbine together with collecting exhaust heat. In particular, since the 2011 Tohoku earthquake and tsunami, customer expectations have risen from the perspective of such matters as ensuring electrical-power security and conserving electricity. We are devoting effort to developing high-efficiency cogeneration systems encouraging their adoption in hospitals, commercial facilities, office buildings, factories, and other locations, and thereby contributing to environmental-load reductions and BCPs.



Gas cogeneration system with a BOS* function
* Blackout start: A function to start up engine and supply electricity without using an external power supply source

<Example of Implementation>

JTEKT Corporation



<Customer Comments>

We have major energy-consuming equipment at our Okazaki Plant, and reusing electrical power and heat energy by means of cogeneration has yield great effects. Because energy-saving performance is further

heightened when aging equipment is upgraded, we changed over to high-efficiency equipment.

Also, by adopting an energy management system, we were also able to achieve energy savings through efficient equipment operation throughout the plant.



Gas cogeneration systems

<Example of Implementation>

Nagashima Resort Co., Ltd.

<Customer Comments>

To ensure electrical power in the event of disaster and in keeping with our business continuity plan (BCP), we gave consideration to sustaining and improving responsive capabilities in the event of an emergency and such environmental aspects as energy efficiency and reducing the amount of CO₂ emissions, and adopted gas cogeneration.

In adopting this, we used the Introduction Support Working Expenses Subsidy for Natural Gas-using Equipment Contributing to the Sustenance of Social Economic Activity, and we anticipate a stable supply of electrical power for the local region, leveling of electrical demand, and reductions in electrical power rates through peak shaving.

In addition to securing electrical power during a disaster, this contributes to preparing the environment as a government-designated evacuation site, as well as reducing amounts of on-site electrical usage during times of power shortages and time periods of heavy use.



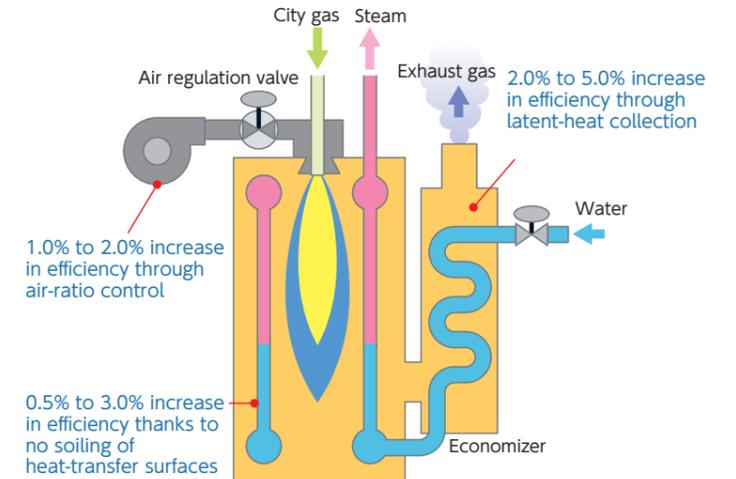
Exterior



Gas cogeneration systems

●Steam and Hot-water Boilers

City gas boilers offer excellent energy-saving performance compared to conventional oil-burning boilers, thanks to high combustion efficiency and high-efficiency operation matched to load. Also, no fuel-storage space is needed, making it possible to maintain a clean operating environment, and handling is also simple, reducing the workload of boiler operators. Its has become popular in a broad range of varied areas, enjoying use in healthcare facilities, linen laundering, bathing facilities, factories, and elsewhere, and contributes to greater energy savings, greater space savings, and management maintenance burden for customers.



Note: These figures are examples, and may differ depending on conditions at the customer.

<Example of Implementation>

Shonai Onsen Kitanoyu



<Customer Comments>

We adopted a city gas boiler at our facility because we believed it would reduce the emissions amount of NO_x, a cause of atmospheric pollution, enable us to effectively utilize energy through use of latent heat, and contribute to preventing global warming. Being able to easily control the temperature of the hot-water tank was also a factor behind the decision to introduce the boiler.

After actually using it, we find that the use of latent heat makes for reduced costs even when supplying only small amounts of hot water.



Latent heat collection water heater



Exterior

●Gas heat-pump air (GHP) conditioners

Gas heat-pump air (GHP) conditioners are gas-fueled air-conditioning systems that save energy and conserve electricity. Sales were launched in April 2020 for the GHP XAIR III, the next-generation model, which offers improvements in performance and functionality, including energy savings.



GHP XAIR III

●High-efficiency Household-use Water Heaters

Eco-JOES is a hot-water heater that achieves hot-water-supply thermal efficiency of approximately 95% (conventional devices: approximately 80%) by collecting* latent heat in combustion exhaust gas. Going forward, we will work to popularize it in stand-alone residential houses and condominiums.

* Latent-heat collection Collection of heat (latent heat) produced when water vapor in combustion exhaust gas is returned to water.



Eco-JOES

Global Warming Countermeasures

Reduction of CO₂ in Business Activities

SCOPE 1 & 2 Emissions Reductions

As an energy operator, the Toho Gas Group devotes effort with consideration given to energy savings in all aspects of business activities. The Group-wide amount of CO₂ emissions in our business activities has become about 128 thousand tonnes-CO₂.

In every area of business, we set goals for preventing global warming, and to reach them, promote energy savings through investment in energy-saving equipment and thoroughgoing operation control.

As a result, in class evaluation according to the Act on the Rationalization, Etc., of Energy Use, we continue to receive a ranking of "S" class (excellent business operator).

●Initiatives at City Gas Plants

City gas plants use a manufacturing method of extremely high energy efficiency during manufacturing, in which vaporized gas is manufactured by heat exchange using seawater of liquid natural gas (LNG) at a temperature of around -160°C.

Efficient utilization is made of energy, such as cryogenic power generation utilizing the cold energy of LNG and supplying cold energy to adjacent plants to manufacture dry ice and liquid nitrogen.

In addition to these efforts, we are striving to reduce the amount of energy used by adopting equipment offering superior energy-saving performance to reliquefy the boil-off gas (BOG) occurring in LNG tanks and making continuing efforts to revise control and operations methods for seawater pumps and LNG gasification equipment.



BOG reliquefaction equipment

●Initiatives in Area Heating and Cooling (Energy Centers)

In area heating and cooling, we aim to achieve low carbon and decarbonization for entire neighborhoods by supplying hot water and thermal energy (cold energy and heat) for heating and cooling to multiple buildings within an area and optimally operating equipment for cogeneration and the like. We conduct heat-supply business in ten areas that Toho Gas operates directly and six areas in which we are invested in operations, mainly in the City of Nagoya.

At the Minato AQUUS Energy Center, which is an example of the latest area heating and cooling, we are optimizing energy for the entire town by means of a community energy management system (CEMS) that utilizes exhaust heat during power generation and the unused energy of canal water in addition to distributed power sources that include gas cogeneration offering high overall efficiency, renewable energy, and storage batteries. Further, all condominium units in the area are installed with ENE FARM type S in rated operation around the clock as standard equipment, with excess power used town-wide. In this way, we are promoting local production and local consumption of energy.

■List of Area Heating and Cooling Sites (Energy Centers)

| Operated by Toho Gas | |
|---|--|
| Nagoya City | ●Imaike ●Sakae 3-chome north ●Nagoya Station south ●Sakae 3-chome ●Chiyoda ●Higashi Sakura ●Ikeshita ●Johoku ●Minato AQUUS |
| Komaki City | ●Komaki Station west |
| Operated by Companies in Which Toho Gas Holds an Equity Stake | |
| Nagoya City | ●JR Central Japan Nagoya Station area ●Nagoya Station east ●Quality Life 21 Johoku ●Sasashima Live 24 ●JR Central Japan Nagoya Station north |
| Tokoname City | ●Chubu Centrair International Airport |

●Initiatives at Offices

Toho Gas Group strives to reduce CO₂ emissions with energy-saving at offices. We are promoting initiatives in various fields, including the introduction of highly efficient gas air conditioning and other energy-saving equipment, as well as low-emission vehicles. In FY2020, amid the spread of new lifestyles under the COVID-19 pandemic, we foresaw an increase in the amount of ventilation and a rise in air-conditioning load. To counter this, we established "energy-saving rules" for extending medium-term no-air conditioning periods, temperature settings for air conditioning, and turning lights on and off, and the like, and made thorough efforts to familiarize our workforce about these, thereby reducing increases in the amount of energy used.

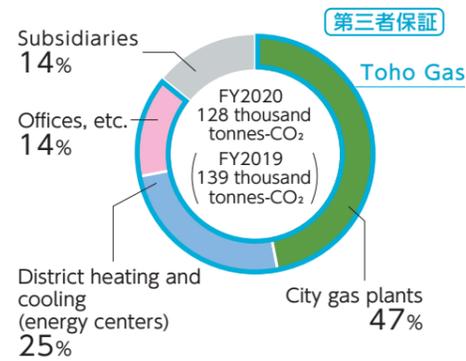
As equipment measures, we are pressing ahead with a changeover to LED lighting. When adopting LED lighting, we trial the internal carbon pricing and evaluate the number of years to recoup investment, including CO₂-saving effectiveness, using a carbon price of \$63 per ton.*

* The price set in the 2025 Sustainable Development Scenario (SDS) in the International Energy Agency (IEA) World Energy Outlook 2020



Awareness sticker

■Amounts of CO₂ Emissions in Business Activities (Consolidated)



第三者保証

Resource Recycling



Basic Concept

Resource usage amounts are rising due to the increase in world population and economic growth, and at the current rate, problems such as depletion of water and other natural resources and marine pollution by waste materials are a serious risk.

We recognize that effectively utilizing recyclable resources while keeping consumption of natural resources in check is an issue facing all of society, and we are striving to reduce emissions and promote recycling through "3R" efforts (reduce, reuse, recycle).

Materiality 4 Realization of a society in harmony with the environment

Initiatives to Reduce Waste Materials and to Reduce Resource Usage Amounts

In our business activities, we consider effective 3R measures and make efforts for each type of waste material that is produced.

●Zero Emissions at Plants

At city gas plants, we have been working since FY2008 to achieve zero emissions (a final disposal rate for waste materials of 3% or lower), and since FY2019, we have been continuing our efforts at a more ambitious target for zero emissions (a final disposal rate of 1% or lower).

For waste materials at plants, recycling of the sludge and mixed waste materials at seawater intake ports is an issue, and these account for 80% of the final disposal rate. For this sludge, we turned our attention to "graded recycling," which creates stable fluidization treatment soil by separating sludge by grain size into slurry, sand, silt, and cohesive soil and recompounding, thereby making 100% recycling possible, together with continuing sorting and recycling of mixed waste materials. In this way, in FY2020 we achieved zero emissions (a final disposal rate of 0.31%).

●Recycling of Industrial Waste Materials Produced in Gas Pipeline Construction

In addition to used cast iron pipes and steel pipes, which are materials of value, gas pipeline construction generates industrial waste in the form of asphalt and concrete lumps, which is classified as rubble, and used polyethylene pipes, which is classified as waste plastic.

For asphalt and concrete lumps, almost the entire amount is recycled into reclaimed asphalt mixture (paving material). Used polyethylene piping is recycled into gas-pipeline marker signs, clear document folders, ballpoint pens, and the like. As a result, the recycling rate for industrial waste materials generated by pipeline construction has reached 99.5%. For used gas meters, 83% were reused through servicing, including part replacement, and inspection.

●Reduction of Natural Mountain Sand, Etc., Used in Gas Pipeline Construction

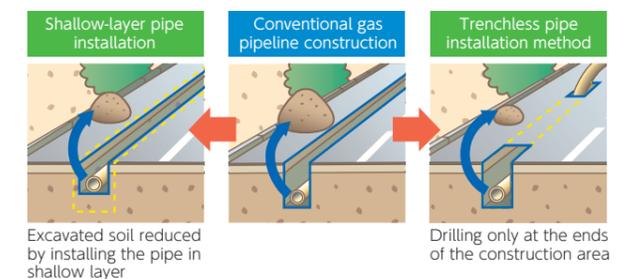
Pipeline construction generates excavated soil as well as asphalt and concrete lumps. In an effort to suppress these, we have introduced *shallow-layer pipe installation*^{*1}, the *trenchless pipe installation method*^{*2}, the *pipe rehabilitation and repair construction and installation method*^{*3}, and promotion of use of *temporary filling material*^{*4} in construction requiring re-excavation. In FY2020, we reduced the amount of waste generated by 26% compared with conventional construction methods.

By striving to recycle not only asphalt and concrete lumps but also excavated soil, by treating it at Soil Modification Centers and using it as backfill soil in pipeline construction, we have reduced the amount of excavated soil externally disposed of by 73% compared with conventional methods. Combined with the use of reclaimed detritus, we reduced the amounts of natural mountain sand and detritus used in pipeline construction by 108% compared with conventional methods.

*1 Refers to burying a gas pipeline in a roadway at approximately half the conventional depth. This greatly reduces the amount of soil generated by roadway excavation and the amount of backfill soil and is connected to reducing environmental impact, together with shortening work times.
 *2 Construction method of drilling at both ends of the construction area and pulling the gas pipe underground
 *3 Construction method for repairing and renewing gas pipe from the inside
 *4 Polystyrene blocks used as temporary backfill



Trenchless pipe installation method



Resource Recycling

● Recycling of General Waste

Both industrial and general wastes are generated at Toho Gas Group plants and offices. Recycling general waste materials is also addressed in our Environmental Action Goals. Continuously since 1996, we have been devoting efforts to collecting waste paper, which accounts for the majority of waste generated, and in FY2020 we recycled 80.4% of general waste.

For kitchen waste from cafeterias, we are promoting recycling into fertilizer in conjunction with launching operations at a new recycling company.



Recycled office paper waste



Paperless meeting attendance Environmental seminar

● Further Promotion of Paperless Operations

The Toho Gas Group has long promoted paperless operations, and since FY2020 we have dramatically increased the ratio of electronic payment in our business together with further promoting paperless operations at major meetings and in many other situations.

● Green Procurement

In order to reduce our environmental load and conserve biodiversity, Toho Gas has established the Green Procurement Guidelines for gas pipeline materials, construction work, and office supplies, and is conducting green procurement together with its Group companies.

| | |
|---|---|
| Main contents of Green Procurement Guidelines | Promotion of purchasing energy saving products, etc. |
| | Enhancement of "3R" (reduce, reuse and recycle) |
| | "Green delivery" with low-emission vehicles and eco-driving |

● Reduction of Plastic Shopping Bags Through Promoting Use of Personal Reusable Bags

On the occasion of a fee being charged for plastic shopping bags starting on July 1, 2020, we distributed reusable bags to patrons of the affiliate-operated bakery shop at the headquarters who declared they would use such bags henceforth. Through these efforts, we raised awareness among our employees and encouraged them to modify their behavior.



Reusable-bag distribution campaign

● Recycling of Used Gas Equipment, Etc.

The Toho Gas Group has organized a system to collect used gas equipment and packing materials from customers, facilitating efficient resource recycling. In FY2020, this resulted in collection of 1,025.8 tonnes of used equipment and 42.6 tonnes of packing material. Results for recycling of resources subject to the Containers and Packaging Recycling Act were 5.5 tonnes of plastic containers and packaging and 0.8 tonnes of paper.

We also recovered refrigerant fluorocarbons generated during maintenance and renewal of commercial air conditioning equipment. In FY2020, all of the fluorocarbons were recovered from the target equipment and processed appropriately (1,369 units, with 15.5 tonnes of fluorocarbons recovered).

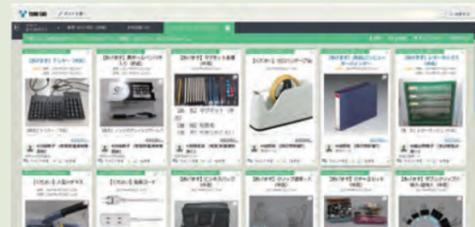


Recycling used gas equipment

TOPICS

● Zero Emission Activities for Office Equipment

This activity is to reduce new-equipment purchases and equipment scrapping as well as raise environmental awareness among employees by utilizing the functionality of a new electronic bulletin board to take in-house equipment that is no longer needed and excess stock and transfer it to other areas of the company. It was announced by a cross-sectional women's group in a Production Division idea contest in FY2020, and won a monetary prize. Based on this, it was operated on a trial basis in related areas, and we are now promoting its implementation while improving it so as to make it a company-wide activity.



Appropriate control of chemical substances (Pollution and resources)

● Measures for Toxic Waste Materials

For PCB waste materials, after investigating PCB-containing equipment, we carry out systematic disposal of used containing equipment. The affected equipment is controlled appropriately in accordance with the PCB Special Measures Act, and is processed by the processing deadline.

For asbestos, we are investigating the usage status of asbestos-containing construction materials and the like in the Toho Gas Group's plants and offices, and take appropriate measures as needed.

● Class 1 Designated Chemical Substances

The amounts handled of class 1 designated chemical substances in the PRTR system* do not reach the designated amounts, and we have no specific facilities as set forth in the Act on Confirmation, Etc., of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof. In this system revision of targeted substances due to amendments of government ordinances is being deliberated. If substances that Toho Gas uses become covered under the revisions and the amounts handled reach the designated quantities, we will respond promptly.

* PRTR (Pollutant Release and Transfer Register): a disclosure system in which operators assess and tabulate data on the sources of occurrence by which toxic substances are released to the environment (atmosphere, water, and soil) and how they are conveyed out of business locations in waste materials

● Volatile Organic Compounds (VOCs)

VOCs are organic solvents found in paints, adhesives, and the like, and are thought to be one cause of photochemical smog. At Toho Gas, we assess and disclose the usage amounts in paints and the like for gas tanks and gas holders.

Responses for water risks (Water Security)

● Evaluation of the Effects of Water Stress

The Toho Gas Group uses water resources for various purposes, such as gasification of LNG, and is aware of the importance of the effective utilization of water. Accordingly, through evaluations using Aqueduct, which is issued by the World Resources Institute (WRI), we have confirmed that the areas where the Group's places of business are located all have low water stress.

● Compliance with Regulation Criteria

We comply appropriately with regulations and agreements on water, and have experienced no accidents having major environmental impact, or any legal violations.

The seawater used as a heat source for gasification of LNG at city gas plants we design manufacturing facilities to ensure the temperature difference between water intake and water discharge falls within a certain range with the aim of reducing our impact on ecosystems.

Number of violations of authorizations, standards, and restrictions for water quality and quantities

| Unit | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 |
|-------|--------|--------|--------|--------|--------|
| Times | 0 | 0 | 0 | 0 | 0 |

● Disclosure of Water Usage Amounts and Discharge Amounts

We assess the amount of water used generally in the form of municipal potable water in offices, the amount of industrial water, and the amount of well water, and work to conserve water used. For discharged water, we assess the amount of water discharged at discrete discharge sites and manage the quality of water discharged in accordance with laws and regulations concerning discharge as well as ordinances of local governments.

We make no use of collected rainwater or water collected from quarries. Seawater is used as a heat source for gasification of LNG, but water extracted from seawater (fresh water) is not used. There is no discharged water processed offsite at locations other than our own places of business (other than water discharged to sewers).

Amounts of waste materials, VOC discharge amounts, water discharge amounts, and the like is in ESG Data on our website.

<https://www.tohogas.co.jp/lang/en/approach/eco/eco-10/environment/>



Biodiversity Conservation



Basic Concept

Our daily lives and business activities are supported by the natural resources, and if the biodiversity that is its basis is lost, the lives of people and company sustainability will be impacted in a major way.

Conservation of the region's ecosystems is regarded as a critical issue affecting the Group's continuing development, and we are working to conserve biodiversity through establishing and maintaining biotopes, forest conservation, and other activities.

▶▶▶ Materiality **3** Contribution to local communities ▶▶▶ Materiality **4** Realization of a society in harmony with the environment

Initiatives in Business Activities

In our business activities, we devote effort to such moves as conservation of region ecosystems through the establishment of biotopes. In gas pipeline construction, we strive to protect habitats through minimizing the amounts of natural mountain sand and detritus used.

● Biotope Establishment

In 2000, we established a 7,500-m² biotope at the Chita-Midorihama Works, and in 2010 we established the 600-m² Biotope Place at the Gas Energy Exhibition Hall. We also installed an 800-m² biotope at Group-incepted Minato AQUUS. In this way, we are working to conserve ecosystems, including rare local species, and to nurture endemic species. We are also having year-on-year surveys of plant and animal species conducted by professional contractors.



Biotope at Chita-Midorihama Works

■ Year-on-year Surveys of Biotope Flora and Fauna

Chita-Midorihama Works biotope

| Year of observation | 2002 | 2004 | 2010 | 2015 |
|---------------------|------|------|------|------|
| Plants | 115 | 118 | 176 | 206 |
| Insects | 115 | 100 | 140 | 152 |
| Birds | 17 | 20 | 17 | 21 |
| Fish | 2 | 1 | 0 | 0 |
| Amphibians | 3 | 2 | 1 | 1 |
| Reptiles | 0 | 0 | 0 | 1 |
| Benthic organisms | 18 | 18 | 23 | 20 |
| Mammals | 0 | 1 | 1 | 1 |
| Total | 270 | 260 | 358 | 402 |

Gas Energy Exhibition Hall Biotope Place

| Year of observation | 2010 | 2012 | 2015 | 2019 |
|---------------------|------|------|------|------|
| Plants | 25 | 90 | 70 | 84 |
| Insects | - | 82 | 113 | 123 |
| Birds | - | 15 | 15 | 14 |
| Fish | - | 0 | 0 | 0 |
| Amphibians | - | 3 | 2 | 2 |
| Reptiles | - | 0 | 1 | 1 |
| Benthic organisms | - | 13 | 14 | 13 |
| Mammals | - | 1 | 1 | 0 |
| Total | 25 | 204 | 216 | 237 |

TOPICS

The Inochiwotsunagu ("Connecting Life") Project*1 in which Toho Gas's Chita Production Department is taking part has been awarded as an Aichi and Nagoya Biodiversity Best Practices*2 selected organization. Its efforts, including create a biotope and eliminating invasive species using industrial green zones in the cities of Chita and Tokai, have been highly acclaimed.



*1 A project improving conservation of biodiversity and educating the bearers of the next generation, whose setting is in coastal industrial green zones on the Chita Peninsula. Its constituent members include 12 cooperating companies, boards of education, and the like.

*2 Since the tenth meeting of the Conference of the Parties (COP 10) Convention on Biological Diversity hosted by Aichi Prefecture and the City of Nagoya, this solicits examples of efforts related to conservation of biodiversity and sustainable use, and selects excellent examples of "best practices" and "good practices" from among them.

Nature Conservation Activities Overseas

Toho Gas has been a member of the Keidanren Committee on Nature Conservation since FY2014.

Through the committee, we are providing aid for nature conservation activities by environmental NGOs in Indonesia and elsewhere around the world.

Endorsement of the Keidanren Declaration of Biodiversity and Action Policy

Toho Gas endorsed the Keidanren Declaration of Biodiversity and Action Policy in July 2020. The company's endeavors are congruent with this declaration and action policy, and we will continue to devote effort accordingly.

Biodiversity Conservation



SDG Contribution Activities in Local Communities

In local communities, we are engaging in such efforts as forest-conservation activities in Toho Gas Forests and in satoyama – natural woodlands that coexist with nearby populated areas – as well as biodiversity education programs for the coming generation.

In FY2020, despite a variety of restrictions due to the COVID-19 pandemic, this took place with such measures as limiting numbers of participants and remote conferencing. Activities in FY2020 are as shown in the chart below.

● FY2020 SDG Contribution Activities

| Activity | Description | No. of times |
|--|--|--------------|
| Toho Gas Forests | At the three sites of Toho Gas Forest Odai, Toho Gas Forest Mitake, and Toho Gas Forest Seto, we promoted tree-planting, thinning, and undergrowth-clearing by Toho Gas Group employees and their families as volunteers. This was carried out with cooperation from the local community, including entrusting some tasks to local forestry cooperatives. | 3 |
| Satoyama Conservation | In Higashiyama Forest in the City of Nagoya, which Japan's Ministry of the Environment has selected as an important satochi-satoyama with respect to biodiversity cooperation, we took part in NPO activities and carried out satoyama conservation in the for on thinning and the like. | 1 |
| Education on Biodiversity | We conducted course registration at Nagoya Open University of the Environment and held biodiversity lectures using the Biotope Place at the Gas Energy Exhibition Hall. During summer break, the lectures that take place in ordinary years were held for separate families at staggered times. In spring break, we used a video we produced to hold online lectures for junior and senior high-school students for the first time. | 2 |
| City of Nagoya Higashiyama Botanical Gardens Hana-ippai ("Many Flowers") Project | We have participated in preparing corporate flower beds in the Botanical Gardens since activities began in FY2008, with flower seedlings planted by employees and their families on a volunteer basis. In FY2020, this was entrusted to a specialized company in the Toho Gas Group. | 1 |
| Osampo de Ikimono Mikke ("Discover Living Creatures While Walking") | Since FY2011, we have collaborated in planning and operation foregoing environmental event hosted by Aichi Prefecture and an NPO at Expo Memorial Park on the theme of encountering nature. In FY2020 this was held with a limited number of participants as an anti-COVID measure, and approximately 250 elementary school children and parents took part. | 1 |
| Cleanup Activities (Local Cleanup Projects) | June is Environment Month in Japan, and in connection with this, we carry out cleanup activities (local cleanup projects) as part of our regional contribution activities. In FY2020 these were conducted with limited numbers of participants as an anti-COVID measure, and around 900 persons from the headquarters, our other offices and plants, and affiliates took part. | 40 |
| Environment Day Nagoya | We exhibited at Environment Day Nagoya, which the City of Nagoya has hosted since 2000. In 2020 this was held online as Ouchi de ("at Home") Environment Day Nagoya 2020. Toho Gas streamed a video on Eco-cooking* as an ecological activities that can be enjoyed at home, encouraging practicing environmentally responsible food activities in the steps of shopping, food preparation, and cleanup. * "Eco-cooking" is a registered trademark of Tokyo Gas Co., Ltd. | 1 |



Activities at Toho Gas Forest Seto



An activity in the Nagoya Higashiyama area



Biodiversity online lecture



Osampo de Ikimono Mikke ("Discover Living Creatures While Walking")



Cleanup activities

Contribution to the Local Communities



Basic Concept

The Toho Gas Group is engaged in regional revitalization through the regional electricity business and community development, chiefly in the three Tokai prefectures (Aichi, Gifu, and Mie). In addition to this, the Group is actively engaged in making contributions to regions through education in energy and the environment for the next generation, and also by taking part in cultural activities and other events. ▶▶▶ **Materiality 3** Contribution to local communities

Initiatives for Forming a Regional Circular and Ecological Sphere

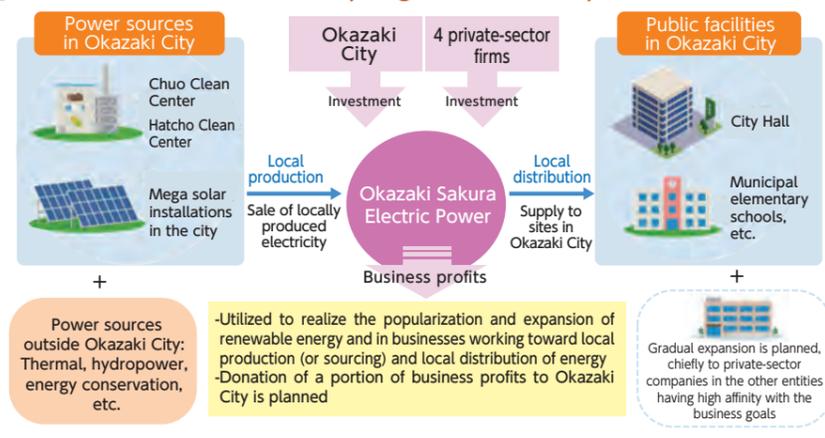
Regional Revitalization Through Regional Electricity Business

The Toho Gas Group works to collaborate with local governments and other entities and contribute to the regions by promoting local production (or sourcing) and making active use of the profits generated through business activities. Matsusaka Shin-denryoku Co., Ltd., established jointly with Matsusaka City and other entities in November 2017, supplies electrical power to public facilities in Matsusaka City, mainly using power generated at Matsusaka Clean Center (a trash processing facility). Okazaki Sakura Electric Power Co., Inc., established jointly with Okazaki City and other entities in March 2020, likewise supplies electrical power to public facilities in Okazaki City, mainly using power generated at Chuo Clean Center (a trash processing facility) and other locations. Through these initiatives, including such moves as donating business profits and implementing effective utilization, we are helping to stimulate the regional economy by reducing CO₂ emissions and realizing local production (or sourcing) and local distribution of energy.



Matsusaka Shin-denryoku donation presentation ceremony

Overview of the Okazaki City Regional Shin-denryoku Retail Business



Contributing to the Regional Community Through Minato AQULS

Minato AQULS is replete with water and greenery and provided with open spaces that give priority to pedestrians. Since its opening in September 2018 it has received many visitors, and the entire area creates liveliness. The development concept behind Minato AQULS was "to be a town that fosters connections among people, the environment, and the region." The Toho Gas Group works in concert with town leaders and officials as well as local residents in efforts to beautify the surrounding region and canal, creating a safe and secure community through daily patrols and disaster drills, and achieving a low-carbon footprint for the entire area.

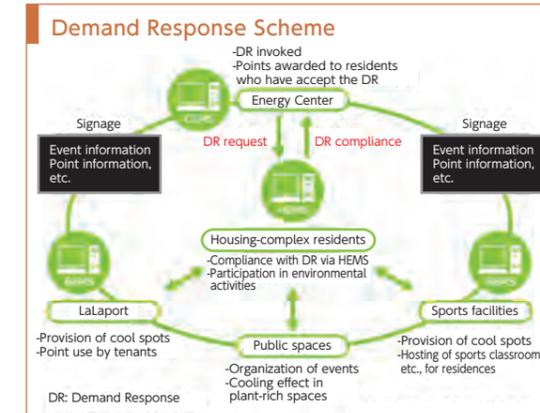
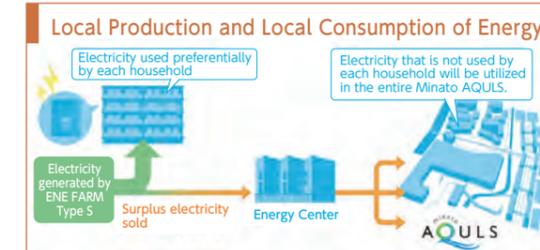


Smart Energy System

At Minato AQULS, distributed power sources and heat-source equipment that include gas generation (two 1,000-kW installations) are used, with the Energy Center supplying electricity and heat to the town's facilities. A community energy management system (CEMS) *is used to accomplish centralized management of supply and demand for energy in the area and optimal operation of energy equipment, thereby achieving a 65% reduction rate in CO₂ emissions compared with 1990. In the event of a disaster, the center can continue to supply energy to the facilities in the area, as well as also supplying emergency electrical power to the adjacent Minato Ward Office.

In March 2020, occupants began taking up residence in the housing complex, whose 265 units are all equipped with ONE FARM type S. This is in rated operation around the clock, and as a distributed power source that shares surplus generated power with other facilities via the Energy Center, it promotes local production and local consumption of energy. Demand response (DR) for housing-complex use is implemented to conserve electricity. Active participation by residents is promoted through such means as holding events on days in which DR is in effect and awarding Gas-Teki Points that can be used at the Club TOHOGAS member-service website.

* A system that performs optimization control for energy supply and demand in an entire area by assessing, in real time, the operation status of distributed power-supply and heat-source equipment and the like and the energy usage status of town facilities.



TOPICS

Recipient of the Cogeneration Award 2020 Chairman's Award

In the Consumer-use category of the Cogeneration Award 2020 presented by the Advanced Cogeneration and Energy Utilization Center Japan (ACEJ), Toho Gas accepted the Chairman's Award, the most prestigious prize, on behalf of three companies.* This was in recognition of the urban planning in smart town Minato AQULS, which has achieved excellent low-carbon performance and disaster-response performance, with cogeneration at the core.

* Toho Gas was the representative applicant, with the other applicants being Nikken Sekkei Ltd. and Nikken Sekkei Research Institute (which conducts planning, design supervision, and evaluation of operation for smart energy systems).



Award ceremony

Recipient of the 25th Disaster Prevention Town Development Awards' Japan Fire and Disaster Prevention Association President's Award (Conducted in Fiscal 2020)

In the 25th Disaster Prevention Town Development Awards sponsored by the Fire and Disaster Management Agency, the Minato AQULS Urban Development Promotion Council* received the Japan Fire and Disaster Prevention Association President's Award. The town supplies energy to facilities in the area in times of disaster and also conducts town disaster-prevention drills in collaboration with the Minato Ward Office. This award also recognizes how disaster-resistant urban development is carried out through daily efforts, such as awareness-raising activities to be prepared in the event of an incident for persons working in the various facilities.

* A council whose members are involved in town development, including Toho Gas, Toho Real Estate Co., Ltd., Mitsui Fudosan Co., Ltd., and Mitsui Fudosan Residential Co., Ltd. Along with working to encourage interchange among Minato AQULS's associated business operators, residents, and visitors, the council also promotes a range of initiatives to deepen alliances with persons involved in the surrounding region and to contribute to the local community.



Awardee certificate and plaque

2021 Demand Side Management Award Recipient of the Agency for Natural Resources and Energy Commissioner's Award

In the 2021 Demand Side Management Award sponsored by the Heat Pump & Thermal Storage Technology Center of Japan (HPTCJ), Toho Real Estate Co., Ltd. and five other companies* jointly received the Agency for Natural Resources and Energy Commissioner's Award, which is the most prestigious prize. This award recognizes such efforts as demand response at Minato AQULS in which energy supplier and consumers collaborate using a community energy management system (CEMS), and such contributions as electrical-power load leveling and energy conservation.

* The six joint recipients: Nikken Sekkei Ltd., Nikken Sekkei Research Institute, Mitsui Fudosan Co., Ltd., Mitsui Fudosan Residential Co., Ltd., Takenaka Corporation, and Toho Real Estate Co., Ltd. (system planning, design supervision, operation evaluation, and consumer).



Awardee plaque

Energy and Environment Education for the Next Generation

●Activities Supporting Education in Schools

Since FY2002, we have conducted special classes to teach elementary and junior high school students, who will lead the next generation, about energy, the environment and food. In FY2020, while implementing thorough anti-COVID measures together with the schools, we conducted programs such as "The Global Environment and Natural Gas" 51 times at 26 schools. We have also started engaging in collaborative activities with local groups and corporations, including participating in a next-generation education project hosted by the Nagoya Chamber of Commerce and Industry and giving visiting lectures.



Special class

●Environmental Learning at the Gas Energy Exhibition Hall

At the Gas Energy Exhibition Hall, we provide students in elementary and junior high schools an opportunity to consider the importance of the environment through participatory and experiential exhibits on the topic of the global environment and energy, through which the young people can learn in a fun way. In FY2020, for students unable to visit the Exhibition Hall due to the COVID-19 pandemic, we produced and broadcast a virtual reality (VR) video through which students learn about global warming and energy while getting a new virtual tour of the facility. We also joined with a local university to remotely host eco-classrooms for elementary school students, where they learn about the importance of environmental conservation through use of lumber from forest thinning.



Remote eco-classroom session

●SDG Talks

In the "People Looking Beyond 2030" series of online seminars on SDGs conducted by Nagoya Open University of the Environment, we gave a talk on "Efforts of the Toho Gas Group Toward Achieving SDGs." We also took part as lecturers in "Learning with Akira Ikegami-sensei about the Current State of SDGs in Nagoya" conducted jointly by Nagoya Open University of the Environment and Aichi Gakuin University.



"Learning with Akira Ikegami-sensei about the Current State of SDGs in Nagoya" conducted jointly by Nagoya Open University of the Environment and Aichi Gakuin University

●Production of Videos Showcasing Eco-cooking

In collaboration with municipalities, universities, and other such entities in the three-prefecture Tokai region, since FY1997 we have held Eco-cooking classes to popularize environmentally responsible dietary habits, but in FY2020 the COVID-19 pandemic made holding these difficult, and instead we produced Eco-cooking videos that can be watched at the viewer's convenience at home and elsewhere.



This QR code can be used for access.



Activities to Protect Children and the Elderly

●Preventing Crime to Protect Children

From February 2019, Toho Gas, started to engage in child protection activities in collaboration with ENEDO service shops and construction companies.

In order to prevent children from becoming victims of crime, Toho Gas has designated approximately 200 bases including our sales offices as "Children's Refuge Center" to use them as a shelter for children in danger. In addition, approx. 2,200 vehicles of the Group bear a "Children's Crime Prevention Patrol Support Vehicle" sticker. In this manner, Toho Gas Group is contributing to the safety and security of people in local communities.



Children's Crime Prevention Patrol Support Vehicle

●Protection Activities for the Elderly

Toho Gas and Toho Gas Customer Service Co., Ltd. entered into an agreement with Mizuho City in Gifu Prefecture in July 2020 to cooperate in protection activities for the elderly. Under the terms of this agreement, which helps create a community where the elderly can live their lives with peace of mind, with when during the course of his or her duties an employee notices something amiss with an elderly person, the employee is to notify the city when doing so does not impede those duties.



Agreement signing ceremony

Contribution Through Culture and Events

●Kokoro no Ki ("Tree of the Heart") Book Review Contest

Since FY2001, we have held a book review contest for elementary and junior high school students to encourage their enjoyment of reading and to think about the relationship between people and nature. In FY2020, we received 3,071 entries and presented 102 awards, including the Most Moving Award.



Presenting the Most Moving Award

●Baseball Classes and Soft Tennis Classes

With the Japan Amateur Baseball Association that nonprofessional corporate teams belong to forming the core, Toho Gas's regulation baseball club visits nursery schools and kindergartens in the local region to hold tee-ball* classes. The aim of this is increase the number of people who play baseball. The club also continually holds classes for local baseball team, women baseball teams, and other groups. Toho Gas's soft tennis club devotes effort to sports-promotion activities in the region, including holding tennis classes for elementary and junior high school students at visited schools and on Toho Gas tennis courts. Both of these activities have been hindered by the impact of COVID-19, but we will continue to give effort.



Soft tennis class

* An outdoor sport similar to baseball and softball in which batters swing at a stationary ball placed on a batting tee behind home plate.

Enhancement of Communication with Shareholders and Investors

Basic Concept

We strive to disclose corporate and financial information promptly and appropriately, and to actively engage in communication with shareholders and investors, in order to deepen their understanding of the business and management policy of Toho Gas Group, and to win their long-term support.

Return to Shareholders

For return to shareholders, based on an approach of paying stable dividends and flexibly implementing the purchase and retirement of treasury stock, and from a medium- to long-term perspective, we have heretofore paid out 40% to 50% of net income in dividends. The Toho Gas Group will work on "further growth of the city gas business," "development into a total energy provider," and "taking on new scopes," as well as promoting the reinforcement of the Group's business foundation in order to stable create operating cash flow. We will allocate this cash flow in a well-balanced manner, in investment into the city gas business and into growth businesses, as well as for return to shareholders, while maintaining a firm and stable financial base. For the full year ending March 31, 2021, income was down sharply due to such matters as the impact of the spread in COVID-19 infections, but we were able to sustain stable dividends and paid a year-end dividend of 55.0 yen per share. We also expect to pay 55.0 yen per share as the year-end dividend for the full year ending March 31, 2022.

Annual Shareholders Meeting

The Toho Gas Group positions its annual shareholders meeting as an important opportunity for communicating with all of our shareholders. At the meeting, we strive to deepen their understanding of our company by answering questions frankly and clearly. At the annual shareholders meeting for the year ended March 31, 2021, to prevent the spread of COVID-19 infection, we asked shareholders to exercise their shareholder voting rights by such means as in writing or over the Internet, and also took such measures as uploading a video explaining reported matters to the Toho Gas website ahead of time. On the day of the meeting, we implemented measures that included arranging the seats in the venue so that they were spaced apart.

■FY2020 Annual Shareholders Meeting (June 28, 2021)

Shareholders in attendance
20

Exercise of shareholder voting rights
87.1%



Annual shareholders meeting

Communication with Individual Investors

As an energy company with strong roots in the local communities, Toho Gas would like to enjoy support over the long term from as many people as possible – not just as customers, but as shareholders as well. In FY2020, as IR activities* during the COVID-19 pandemic, we actively conducted online company briefing seminars and made streamed briefing seminars over the Internet.

*IR: investor relations (public relations for shareholders and investors)

Realtime streaming of online corporate briefing seminars
2

Total number of participants
415

Communication with Institutional Investors

We hold briefing sessions four times a year for institutional investors and securities analysts, focusing on financial results details. We also conduct meetings separately with about 200 companies a year in total in Japan and abroad, including those for matters grounded on the stewardship code. We also conduct periodic IR activities to deepen understanding of Toho Gas among the members of the financial institutions that are our bond investors. In FY2020 we conducted mainly remote meetings by using web-based meeting systems and the like, and also held multiple meetings on the subject of ESG matters.

companies (FY2020)
202

Enhancement of Information Disclosure

We strive to disclose information in a timely and easy-to-understand manner via our company website, including financial information and notice of IR events. Furthermore, in order to enhance understanding among overseas institutional investors about the business of Toho Gas Group, we endeavor to disclose information by issuing English versions of Fact Sheets (Data Book) and our Integrated Report, etc.

Please also see the IR page of our website at the following URL.
<https://www.tohogas.co.jp/lang-n/en/corporate/>



Implementation of the Shareholder Benefit Program

While the basis of our return to shareholders is stable dividends and flexible purchase and retirement of treasury stock, Toho Gas is implementing a shareholder benefit program positioned to complement these. Many of our individual shareholders live in the three prefectures of the Tokai region (Aichi, Gifu, and Mie). With the full liberalization of gas and electricity retailing, we are working to gain the long-term loyalty of these "customer shareholders," and have established a scheme that customers can use for paying our gas and electricity charges.

[Overview of the Shareholder Benefit Program]

Shareholders are given shareholder benefit points for shares held for one year or more, according to the number of shares and how long they have held them. They may then select the benefit they wish to receive from the three options offered.

Three Offers under the Shareholder Benefit Program

Offer A

Exchange for "Gas-Teki Points"

Shareholders with gas or electricity contracts with our company can choose "Gas-Teki Points,"* which can be used towards payment of gas and electricity charges.



*"Gas-Teki Points" are points which can be collected using the contents of our "Club TOHOGAS" website service (in Japanese).

Offer B

Exchange for foods and other goods in our Shareholder Benefits Catalog

(Examples of foods)



Black-haired Japanese wagyu beef for barbecue (3,000points)



Specially cultivated Koshihikari rice 10kg (10,000 points)

Offer C

Charity donation (Recipients)



The Green Fund

Japanese Red Cross Society

For details, please visit the website below.
<https://www.tohogas.co.jp/corporate/ir/personal-investor/personal-investor-06/>



Human Resource Management



Basic Concept(Human Resource Management with Respect for Human Rights)

The Toho Gas Group's basic policies for personnel management are to ensure fair and unbiased evaluation and treatment, to ensure that each employee feels a sense of job satisfaction, enhances their abilities, and exercises them to their fullest potential. In accordance with these policies, we work to eliminate discrimination based on such matters as race, gender, age, nationality, or disability and promote personnel policies based on the respect of the individual's personality. We strive to establish a workplace environment where employees can work with peace of mind, by enhancing support systems for work-life balance, and through initiatives for health and safety.

Materiality **5** Reinforcement of human resources

Hiring and Development of Human Resources

Fair and Unbiased Hiring

We aim to employ *persons who think and act for themselves and have a grounding that enables them to open a path to the future*. In hiring, we make recruitment information publicly available via such means as the company website and recruitment seminars, and practice fair and unbiased hiring.

Personnel Remuneration System

We utilize systems for "multi-tracking of role grades" and "goal management" in order to emphasize performance and results, leverage diverse human resources and to develop human resources who can act independently. We aim to realize remuneration with a sense of job satisfaction and tension by appropriately evaluating performance, results and processes, while also promoting individual growth through work.

Transfer and Career Formation

Each year, we provide opportunities for employees to talk with their supervisors about their career plan, and these are used to confirm desired transfers and for career formation. We aim to deploy the right people in the right place so that employees can feel motivation and a job satisfaction.

We also support self-starting career formation by employees through study abroad programs, an internal recruitment system, and the like.

Human Resource Development

We recognize that human resources are the source of corporate development. On this basis, we conduct workplace training (OJT), collective training (OFF-JT), and self-development, which are linked to results and to developing skills of our employees, so that each of them can demonstrate their role and achieve results.

Structure of training system

| | Young employees | Medium-ranked employees | Middle management |
|---------------------|---|-------------------------|--|
| Collective training | Level-specific training, Role-based training (medium-ranked leaders, newly appointed chiefs, labor management administrators) | | |
| | Elective training (business skill enhancement, basic skills enhancement), Interactive training with other industries*1 | | Strategy Workshops*2 |
| | Career training for women, Seminar on childcare leave and maternity leave | | Diversity training for middle management |
| | Career training (ages 30, 40 and 50) | | |
| Self-development | Acquisition of official certification | | |
| | Distance education and external training | | |
| OJT | External study abroad*3, internal certification examination, etc. | | |
| | On-the-Job training | | |

*1 We provide training to develop employees' abilities through interpersonal exchanges with external members on the themes of leadership and innovation.
 *2 To foster next-generation management candidates, we provide training to develop employees' abilities through formulation of the company's growth strategy.
 *3 We provide short-term study abroad programs for MBA programs and for improving foreign language skills. (In FY2020, due to the effects of COVID-19, no short-term study abroad was conducted.)

Employment Breakdown*1

| Employee numbers (people) | Men | | Women | |
|---|------------------|--------------|------------------|--------------|
| | Non-consolidated | Consolidated | Non-consolidated | Consolidated |
| Average age (years old) | 2,288 | 4,726 | 462 | 1,499 |
| Average years of service (years) | 42.7 | 17.4 | 41.7 | 18.6 |
| Number of graduate recruits (people) *2 | 63 | 20 | | |
| Number of mid-career recruits (people) *3 | 17 | | | |
| Number of re-hires (people) *4 | 316 | | | |
| Voluntary turnover rate (%) *5 | 1.58 | | | |

*1 Data current as of end of March 2021. Full-time employees, not including seconded employees (non-consolidated)
 *2 Number starting in April 2021
 *3 Figures for FY2020
 *4 Including part-time employees
 *5 Average for the past 3 years



Promotion of Diversity

With an eye towards developing a work environment that fosters diversity among employees and enables employees to perform at their full potential, we are working to develop a company diversity promotion system, provide diversity education to target employees, and expand the scope of work. In addition, we are promoting the understanding and penetration of diversity across the organization by providing training and seminar, etc. designed to raise awareness amongst staff in managerial positions.

Creation of a Corporate Culture That Promotes Diversity

In addition to conducting seminars and workplace meetings to deepen awareness of the significance and aims of promoting diversity, through such moves as the company-wide rollout of "Kaeru" Meeting / Change Meeting* intended to resolve diversity issues in the workplace, we are devoting effort to creating a corporate culture that is accepting of the diversity of individual employees and enable individuals to demonstrate their maximum potential.

* "Kaeru" Meeting / Change Meeting is a registered trademark of Work Life Balance Co., Ltd.



"Kaeru" Meeting / Change Meeting

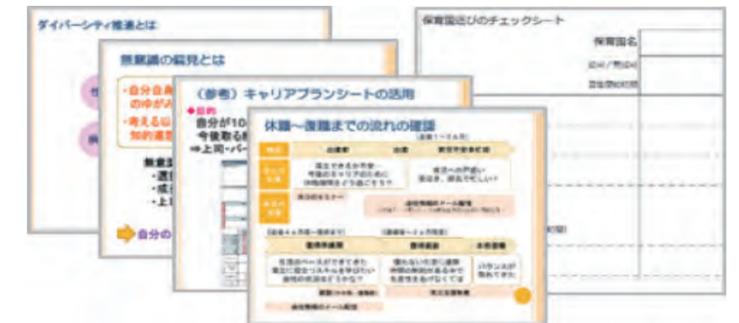
Advancement by Women

In order to promote advancement of women, we are promoting the creation of workplaces which boost women's motivation and where they can exercise their abilities, and along with this, we are devoting effort to increasing the female hiring ratio and expand areas of responsibility.

In addition to one-on-one leaders who advise new hires, we have established a mentoring system for them by senior employees, and are strengthening support to help alleviate concerns regarding their new lives as full members of society.

In addition to career planning training for medium-ranked and young employees at junctures when they reach certain ages, we have also established augmented the Women's Advancement Support Site on the company intranet, where we showcase role models.

For employees who experience major life events, we hold seminars on childcare leave and maternity leave aimed at contributing to a balance between work and child-raising and conduct interviews prior to the return to work.



Online seminar on maternity and childcare leave (women's advancement)

Promotion of Women to Management Positions

We actively promote employees regardless of gender if we judge that they can demonstrate the abilities and role of their position as managers and other key positions.

With respect to number of women in management positions, we have reached the target we set forth on our general corporate action based on the Act on Promotion of Women's Participation and Advancement in the Workplace (doubling the number of female managers from the level at the end of FY2014 by the end of FY2020).

Ratio of women in management positions (non-consolidated)



Receipt of "Eruboshi" Certification

In July 2021, Toho Gas received "Eruboshi" certification under a certification program concerning women's advancement based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

* Certification with respect to initiatives in women's advancement through FY2020



Human Resource Management

● Advancement by the Elderly

We have introduced a Senior Expert System targeting employees approaching retirement age, to reemploy those who are motivated to continue working. Many retirees remain active after reaching retirement ages, exercising the skills, expertise, and experience they have cultivated over many years.

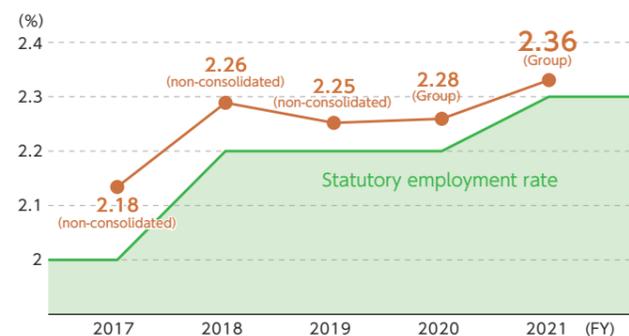
To encourage work motivation and the ability to perform work roles by employees aged 50 years or older, we conduct career planning training for employees aged 50, and for employees at age 55, we hold career lectures and conduct individual interviews.

● Advancement of Persons with Disabilities

We proactively hire people with disabilities in order to support their independence and social participation. In 2019 we established Toho Flower Co., Ltd., with the aim of achieving the legally mandated proportion of jobs for persons with disabilities for the Toho Gas Group overall and contributing to local communities.

As of June 2021, the Toho Gas Group's employment rate of people with disabilities is 2.36%, which meets the statutory employment rate of 2.3%. They are engaged in various work in a number of workplaces. We will continue to strive to expand workplace and occupational options.

■ Trend of employment of people with disabilities



Note: As of June 1 in each respective fiscal year



Toho Flower worksite

Creating a Work-friendly Environment

● Promotion of Flexible Work Styles

To enable work to be accomplished autonomously and efficiently, we have introduced a work time system that includes a flextime system, a discretionary labor system, and reduced working hours.

To increase the flexibility of work styles even further, we are augmenting such teleworking systems and working from home and working at satellite offices, together promoting greater use of working online (web conferencing, internal business chats, electronic payment, and the like) so as to enable work styles while teleworking that are unchanged from on-site working.

● Support for Compatibility with Child-rearing, Caregiving, Recuperation, Etc.

To support compatibility with child-rearing, caregiving, recuperation, and the like, we have introduced a leave system, shorter-hours working system, and rehab on-site working system, and additionally establishing a consultation service staffed by experts.

We have also introduced a special leave system for participation in volunteer activities and an award system for employees who make contributions to local communities. In these and other such ways, we support the work-life balance of our employees.



Union Cafe (lunchtime talk session for employees during childcare leave)

■ Employees who newly begin child rearing or nursing care leave (non-consolidated) (Unit: people)

| FY | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------------------------|--------|------|--------|--------|--------|
| Child rearing leave | 26 (1) | 13 | 19 (1) | 27 (2) | 21 (5) |
| Child rearing shorter working hours | 14 | 18 | 12 | 12 (1) | 16 |
| Nursing care leave | 2 | 0 | 1 (1) | 2 | 1 |
| Nursing care shorter working hours | 1 | 1 | 1 | 0 | 2 |

*Male employees in brackets

● Acquisition of "Kurumin" Certification

Toho Gas, as a company supporting child-rearing, obtained the "Kurumin" certification recognized by the Ministry of Health, Labor and Welfare in 2018.



● Improvement of Productivity

We are promoting greater task efficiency through the utilization of digital tools (such as the adoption of robotic process automation [RPA] and chat bots for internal queries) and the revision of task processes.

To help prevent long working hours, we comply strictly with the Agreement on Off-hours Work and Work on Days Off (Saburoku Kyotei - "36 Agreement"), together with periodically convening a labor and management committee concerned with working hours and work styles, thereby devoting effort to appropriate working-time management and revision of work styles. We have established working-time consultation services for both labor and management, and respond to individual consultations and inquiries.

● Prevention of Harassment

To prevent harassment, including power harassment and sexual harassment, we conduct manager education and distribute guidelines, as well as engaging in such moves as holding workplace talks. We have also established a dedicated consultation service for employees troubled by harassment.

Harassment is stipulated to be prohibited behavior in our employment regulations, and disciplinary action for violators is provided for.

● Labor Relations Emphasizing Communication

We have adopted a union shop system in which all employees except managers belong to the Toho Gas Labor Union. We emphasize communication with labor unions and regularly hold labor-management meetings and management consultations to facilitate mutual understanding to maintain healthy labor-management relations and sustain the working environment.



Labor-management meeting

● Compliance with Labor-related Laws and Regulations

The Toho Gas Group strives to comply with the Labor Standards Act and other labor-related laws and regulations. No major violations of labor-related laws and regulations occurred in FY2020.

We will continue to monitor revisions to laws and other such trends, and promote appropriate responses.

Initiatives for Occupational Health and Safety

●Basic Principles of Occupational Health and Safety Activities

The Toho Gas Group operates the city gas business as its core business. It is only with the support of our employees that we are able to ensure safety and security, as well as a steady supply of city gas, to customers 24 hours a day, 365 days a year. It is also our employees who support work in front lines of disaster recovery in the event of a disaster. Therefore, ensuring the safety and health of our employees is the foundation for fulfilling our social responsibility as a corporation.

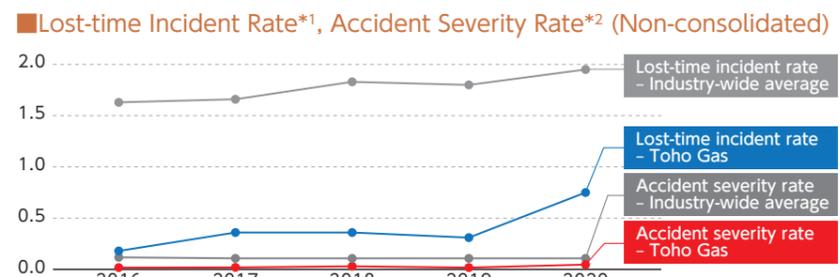
Based on these principles, we work to prevent occupational accidents, traffic accidents, and diseases so as to ensure the safety and health of our employees and create a comfortable working environment.

●Promotion of Health and Safety Activities

Twice a year, we hold a Central Safety and Health Board meetings chaired by the president. The board deliberates on the three-year action plan and the action plans for each year, reflecting the results in subsequent plans and annually reporting their content to the Board of Directors.

Organized under the Central Safety and Health Board are the business-location safety and health boards and worksite safety and health meetings, and through mutual cooperation, the entire company is uniting to roll out health and safety activities.

The business-location safety and health boards are structured so that half or more of the membership comprises persons recommended by the labor union, make these activities participatory for employees.



*1 A safety indicator representing incidence of occupational accidents. Represents work stoppages caused by occupational accidents per 1,000,000 total work hours.
Lost-time incident rate = (number of work stoppages) / (total work hours of workers) x 1,000,000
*2 A safety indicator representing the number of workdays lost caused by occupational accidents per 1,000 total work hours
Lost-time accident severity rate = (number of lost workdays) / (total work hours of workers) x 1,000

●Group-wide Health and Safety Activities

We aim to share health and safety activities with subsidiaries as well as collaboratively conduct occupational accident prevention education and mental health workshops. In addition, we organize a Health and Safety Council including partner companies and conduct joint patrols in an effort to prevent accidents throughout the Group.

●COVID-19 Infection Prevention Measures

Together with making absolutely sure of the stable supply and assurance of security – the mission of a gas operator – we implemented necessary measures from the perspective of ensuring the health and safety of our customers and the Toho Gas Group's employees.

We are monitoring physical health, such as by taking the temperatures of employees every day, and spread information to all by issuing frequently updated "vigilance alerts" that encourage methods of action to prevent infection.

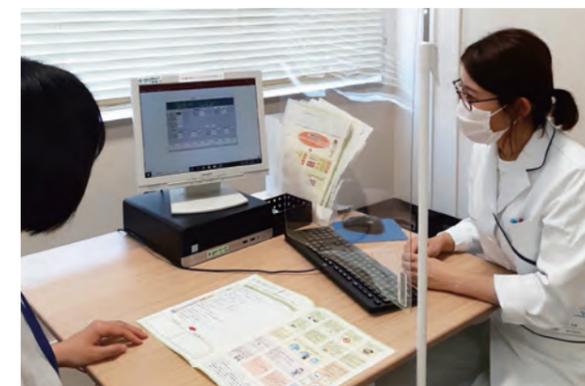
Based on the government's basic responsible policy, we are devoting efforts to measures for ensuring customer health as well as business continuity measures for gas production and security and promotion of working from home and staggered working hours.

In addition, we are also conductive successive workplace inoculations from the standpoint of alleviating the burden posed by vaccinations in local communities.

●Activities to Foster Mental and Physical Health

[Comprehensive Medical Checkups]

We have been collaborating with a health insurance society to conduct comprehensive health checkups that include more periodic health-check items than those mandated by Industrial Safety and Health Act, such as stomach and dental examinations as well as one-on-one interviews, thereby making thoroughgoing efforts to promote health from a younger age, and in prevention of lifestyle-related diseases. Our aim is to achieve an annual rate of 100% for periodic health checkups, and each year we have been sustaining this 100% rate.



Comprehensive medical checkups

[Efforts for Mental Health]

As primary preventive measures, we carry out mental-health education in new-employee training and new-manager training, and conduct yearly stress checks and support activities for worksite improvement based on population-analysis results.

Checks related to mental health are carried out at the time of comprehensive health checkups, and we also conduct mental-health consultations by public-health nurses.

We have established a return-to-work support system for employees on absence, with industrial physicians, public-health nurses, worksite superiors, and the Personnel Department working in concert to provide support.

[Passive-smoke Measures]

We completed preparation of indoor smoking rooms as well as implementing streamlining measures to separate smokers and nonsmokers in 2012, and at present we are progressing toward a transition to outdoor smoking areas. Our in-house clinic also provides smoking-cessation treatment on an outpatient bases as a support for smokers why are trying to quit.

●Prevention of Work-related Injuries [Experiential Safety Training System]

To increase risk sensitivity, we have established a training facility in the Head Office that showcases past cases of injury related to gas construction work and where risk can be experienced up close using dummies and the like, and we have those who need it undergo training here. In an environment where safety is ensured, persons can actually experience for themselves such hazardous conditions as falls, fire, electrostatic discharge, and landslides.

[Driver Certification System]

To prevent traffic injuries, we have established an in-house driving-license system for employees who drive company-owned vehicles, and have those who need it obtain it. Under our rules, drivers obtaining one for the first time start with entry-level training, and at the time of renewal every five years, ride-along testing and suitability testing must be conducted. Driving recorders are installed in all vehicles, with superiors and others conducting sampling reviews of recorded video and providing guidance.

●Certification As an Excellent Occupational Safety and Health Enterprise

Toho Gas was certified as an Excellent Occupational Safety and Health Enterprise by the Aichi Labor Bureau as a company actively taking measures to ensure the safety and health of employees while maintaining and improving a high level of safety and health.



●Recognized As a "Certified Health & Productivity Management Outstanding Organization 2021 (White 500)"

In March 2021, Toho Gas was recognized (for the second consecutive year) as a "Certified Health & Productivity Management Outstanding Organization 2021 (Large-scale corporation category) – White 500" under a program administered jointly by the Ministry of Economy, Trade, and Industry (METI) of Japan and the Nippon Kenko Kaigi.



Corporate Governance

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 (in Japanese).

Board of Directors, Management Committee

Our Board of Directors comprises nine Directors, including three 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.



Board of Directors

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.

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.

Outside Directors and 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 three 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.

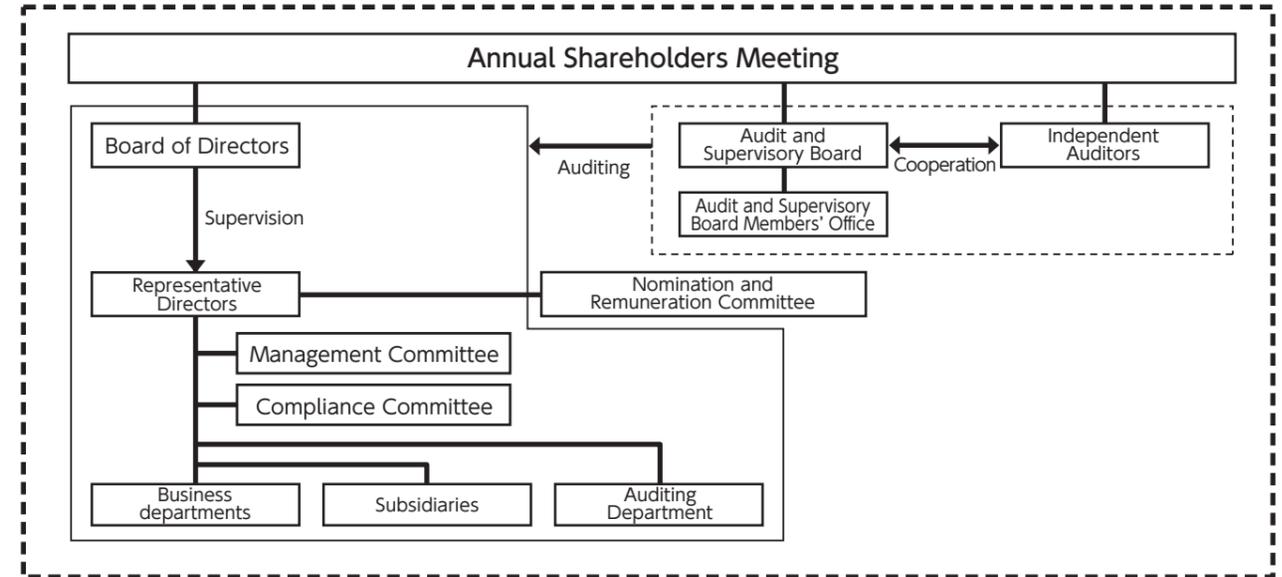
It is judged that objectivity and neutrality in the supervision of corporate management are guaranteed through operation of supervising and auditing functions of the Company under the respective roles played by Outside Directors and Audit and Supervisory Board Members including Outside Members.

Outside Directors and Outside Audit and Supervisory Board Members

| | Name | Reason for selection | Attendance (FY2020) | |
|---|-----------------|--|---------------------|-----------------------------|
| | | | Board of Directors | Audit and Supervisory Board |
| Outside Directors | 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 | — |
| | 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 | 2/2 |
| | Taku Oshima | We have determined that his abundant experience as a corporate manager provides him with strong insight to offer valuable opinions on management overall. | — | — |
| Outside Audit and Supervisory Board Members | 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. | 12/12 | 12/12 |
| | 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. | 12/12 | 12/12 |
| | Keiko Ikeda | We have determined that her specialist knowledge and abundant experience in legal affairs as an attorney provides her with strong insight to offer valuable opinions on management overall. | 10/10 | 10/10 |

N.B.: Ms. Hamada assumed the position of Director on June 24, 2020, but because she was an Audit and Supervisory Board Member prior to assuming this position, attendance figures for the Audit and Supervisory Board are given.
Mr. Oshima assumed the position of Director on June 28, 2021, and in FY2020 was not a member of the Board of Directors for which attendance figures are given.
Ms. Ikeda assumed the position of Audit and Supervisory Board Member on June 24, 2020, and attendance figures thereafter are given.

Corporate Governance Organizational Chart



Evaluation of Effectiveness of Board of Directors

We annually 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 fixed remuneration (monetary remuneration), performance-linked compensation (monetary remuneration), and transfer-restricted stock-based compensation (non-monetary compensation) and, as a guideline, the payment ratio for (1) fixed remuneration, (2) performance-linked compensation, and (3) transfer-restricted stock-based compensation is (1):(2):(3) = 6:3:1. Outside Directors receive only fixed remuneration.

Fixed remuneration and performance-linked compensation are set by resolution of the Board of Directors upon deliberation by the Nomination and Remuneration Committee, a majority of which consists of Outside Officers, within the range of the remuneration determined at the annual shareholders meeting. Performance-linked compensation is indexed to items as goals in the Medium-term Management Plan (return on investment, etc.), and the state of achievement for the single fiscal year is reflected in remuneration.

Transfer-restricted stock-based compensation has been adopted with the goal of further advancing shared value with shareholders and further heightening the willingness to contribute to enhancing medium- and long-term corporate value. Transfer-restricted stock-based compensation is set by resolution of the Board of Directors upon deliberation by the Nomination and Remuneration Committee, within a range of compensation amounts and numbers of shares in a framework that is separate from the foregoing range of remuneration determined at the annual shareholders meeting.

Selection and Dismissal of Senior Management and Nomination of Candidates for Directors and Audit and Supervisory Board Members

Selection of senior management and nomination of candidates for Directors and Audit and Supervisory Board Members are determined by resolution of the Board of Directors upon deliberation by the Nomination and Remuneration Committee, a majority of which consists of Outside Directors, comprehensively taking into account abilities required for the positions, such as being able to take a wide view of and understand management and the ability to grasp essential issues and risks.

Dismissal of senior management is determined by resolution of the Board of Directors upon deliberation by the Nomination and Remuneration Committee in the event of circumstances that make it difficult to fulfill the required roles.

Corporate Governance Organization

| | |
|---|--------|
| Number of Directors (Outside Directors) | 9(3) |
| Number of Audit and Supervisory Board Members (Outside Members) | 5(3) |
| Number of Board of Directors' meetings (FY2020) | 12 |
| Number of Audit and Supervisory Board Meetings (FY2020) | 12 |
| Term of office of Directors | 1 year |

Internal Control



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

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
4. Subsidiaries business management system
5. Audit system

Risk Management

Based on Risk Management Rules, we 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. We are conducting risk management that also addresses risks related to climate change and other ESG matters.

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.

In measures to counter COVID-19 infection, we instituted an emergency system and are taking steps that include accommodating continued operations and infection-prevention measures. 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. Furthermore, we strive to strengthen our cooperation with subsidiaries and partner companies.

Information Security Measures

Materiality 2
Ensuring safety and security, and stable supply

To ensure cyber security, the strengthening of security measures is deliberated by the Cyber Security Committee as a company-wide cyber security control organization. Also, along with working to increase security awareness among Toho Gas Group members by means of email targeted-attack drills and the like, we continuously conduct drills that anticipate occurrence of incidents.

P28 Special Feature: Efforts in the Use of Digital Technologies

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 subsidiaries 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 FY2020, 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 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.

Flow of risk management

| | |
|---|---|
| Identification of risks | Identification of the Group's risks based on Risk Management Rules |
| Implementation of risk-reduction activities | Implementation of reduction activities for risks in a systematic manner Promotion by the Management Committee of risk-reduction measures for cross-divisional issues |
| Evaluation and reporting on risk-reduction activities | Review and evaluation of the year's risk-management activities Review of the status and issues in the Group's risk management by the Management Committee, and reporting to the Board of Directors |
| Improvements for the following fiscal year | Assessment of the status of activity performance and changes the operational environments inside and outside the company, and risk forecasting for the following fiscal year |

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 Subsidiaries

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

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

Compliance



Basic Concept

For the 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, we hope that each employee will live up to the trust of customers.

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 Code of Conduct (Extracted from "Establishing a Relationship of Trust with Society")

- As an enterprise having close involvement with local communities, we actively contribute in projects conducive to regional development. We also support social-contribution activities, such as the volunteer activities that each of our employees perform.
- We sever all connections to antisocial forces that threaten the order and safety of civil society and hinder sound business activities, and resolutely deny demands therefrom.
- So as not to allow the fairness of business affairs to become distorted, association with related parties is within the range of what society accepts.
- In associating with public officials, we accept nothing that is contrary to the spirit of the National Public Service Ethics Act. Association with persons treated as public officials and the officers and staff members of organizations subject to provisions concerning bribery in special laws also conforms to this.

Compliance Promotion System

Toho Gas has a Compliance Board which is chaired by the President. Committee meetings are held twice a year, in principle, deliberating action plans and results and reporting to the Board of the Directors. Each department's head is responsible for promoting compliance in each workplace, and the managers and office chiefs take responsibility for implementation of activities. Each subsidiary has also established a Compliance Board and is engaging in proactive efforts.

Compliance 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 provides consultations relating to such matters as legal compliance, maintenance of healthy working environments, and fair business activities, including prevention of corruption. We will swiftly conduct a factual investigation and the like for matters consulted on for the early detection and correction of problems. During FY2020 they handled 5 consultations.

Education and Enlightenment Activities

We held lectures and labor management training for the Group's managerial-level employees, compliance awareness training for medium-ranked employees, and the like.

We also conduct e-learning for rank-and-file employees, hold compliance meetings at each workplace, and issue "Compliance News" periodically.

Inspection and Survey Activities

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

Protection of Personal Information

Materiality 2
Ensuring safety and security, and stable supply

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). 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 also strive to ensure the security of information systems by preventing unauthorized access from the Internet.

Board of Directors and Audit & Supervisory Board Members (as of June 30, 2021)

Directors

Representative Director, Chairman **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
 Jun.2021 Representative Director, Chairman (current position)

Representative Director, President **Nobuyuki Masuda**



Apr.1986 Joined Toho Gas
 Jun.2008 General Manager of Engineering Department
 Oct.2009 General Manager of Production Planning Department
 Jun.2014 General Manager of Distribution Planning & Management Department
 Jun.2015 Executive Officer, General Manager of Distribution Planning & Management Department
 Jun.2017 Executive Officer, Executive General Manager of Distribution Division
 Jun.2018 Managing Executive Officer, Executive General Manager of Research & Development Division and Executive General Manager of Production Division
 Apr.2019 Managing Executive Officer, Executive General Manager of R&D/Digital Division and Executive General Manager of Production Division
 Jun.2019 Director, Managing Executive Officer, Executive General Manager of R&D/Digital Division and Executive General Manager of Production Division
 Jun.2020 Director, Senior Managing Executive Officer, Executive General Manager of R&D/Digital Division
 Jun.2021 Representative Director, President (current position)

Representative Director, Executive Vice President **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
 Jun.2019 Director, Senior Managing Executive Officer
 Jun.2021 Representative Director Executive Vice President (current position)
 In charge of Public Relations Department-Residential Gas
 Sales Division - Industrial & Commercial Gas Sales Division

Director, Senior Managing Executive Officer **Akira Torii**



Apr. 1984 Joined Toho Gas
 Jun. 2010 General Manager of West Nagoya District Headquarters
 Nov. 2011 General Manager of Home Systems & Appliance Sales Department
 Jun. 2014 General Manager of Secretarial Department
 Jun. 2016 Executive Officer, General Manager of Secretarial Department
 Jun. 2019 Managing Executive Officer
 General Manager of Residential Gas Sales Division
 Jun. 2021 Director, Senior Managing Executive Officer (current position)
 General Manager of Residential Gas Sales Division
 In charge of Purchasing Department

Director, Senior Managing Executive Officer **Hidetoshi Kimura**



Apr. 1982 Joined Ministry of International Trade and Industry (MITI)
 Jul. 2011 Director-General of Chubu Bureau of Economy, Trade, and Industry
 Jun. 2014 Senior Executive Director of Japan Finance Corporation
 Jan. 2019 Joined Toho Gas
 Apr. 2019 Executive Researcher
 Jun. 2019 Managing Executive Officer
 Jun. 2021 Director, Senior Managing Executive Officer (current position)
 In charge of Auditing Department - CSR/Environment Department - Power Business Promotion Department

Director, Managing Executive Officer **Satoshi Yamazaki**



Apr. 1986 Joined Toho Gas
 Jun. 2010 General Manager of West District Headquarters
 Jun. 2012 General Manager of Finance Department
 Jun. 2016 General Manager of Corporate Planning Department (Kikaku-bu)
 Apr. 2017 General Manager of Sales Planning Department (Keieikikaku-bu)
 Jun. 2017 Executive Officer, General Manager of Corporate Planning Department (Keieikikaku-bu)
 Apr. 2019 Executive Officer, General Manager of Corporate Planning Department (Kikaku-bu)
 Jun. 2020 Managing Executive Officer
 Jun. 2021 Director, Managing Executive Officer (current position)
 In charge of Corporate Planning Department - Business Development Department - Personnel Department

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.
 Jun.2018 Retired Honorary Advisor of Toyota Motor East Japan Inc.

Outside Director **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)
 Mar.2014 Member of the Fair Trade Commission
 Retired from Membership in the Fair Trade Commission
 Jun.2014 Audit & Supervisory Board Member of Toho Gas
 Jun.2020 Director of Toho Gas (current position)

Outside Director **Taku Oshima**



Jun. 2014 Director, President of NGK INSULATORS, LTD.
 Apr. 2021 Director, Chairman of NGK INSULATORS, LTD. (current position)
 Jun. 2021 Director of Toho Gas (current position)

Audit & Supervisory Board Members

Audit & Supervisory Board Member **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
 Jun.2019 Director, Senior Managing Executive Officer
 Jun.2021 Audit & Supervisory Board Member(current position)

Audit & Supervisory Board Member **Hiroaki Kato**



Apr.1984 Joined Toho Gas
 Nov.2011 General Manager of General Affairs Department
 Jun.2013 General Manager of East Nagoya District Headquarters
 Jun.2015 General Manager of Auditing Department
 Jun.2019 Audit & Supervisory Board Member(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.)
 May.2015 Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.) (current position)
 Jun.2015 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
 Audit & Supervisory Board Member of Toho Gas (current position)
 Jun. 2021 Retired Senior Director of Council for Public Policy

Outside Audit & Supervisory Board Member **Keiko Ikeda**



Apr.1983 Registered Attorney
 Aug.1986 Established Ikeda Law Office (current Ikeda Law & Patent Office)
 Jul.2000 Registered patent Attorney
 Apr.2017 Chairperson of Aichi Bar Association
 Apr.2018 Chairperson of Chubu Federation of Bar Associations
 Jun.2020 Audit & Supervisory Board Member of Toho Gas (current position)

Messages from Outside Officers



I hope the Group will achieve sustained growth by merging a tradition of safety and security with innovation.

Outside Director Tetsuo Hattori

In our world, many issues, typified by SDGs and ESG matters, intertwine in a complex way and change enormously and with tremendous speed. For the Toho Gas Group to achieve sustained growth amid such circumstances, I believe the Group must be sensitively alert to such social changes and respond with a sense of alacrity even as the Group leverages new technologies and innovation to take up the challenges as a new era approaches.

The Toho Gas Group meanwhile has a good tradition cultivated over the course of its long history. This is the stance of conducting business operations that attach value

to safety and security, and the thinking behind it.

We want for the Group to come together as one to merge a *tradition of safety and security* with *innovation geared to a new era* and achieve sustained growth.

As with social trends, the issues in corporate business operations are increasing in diversity and complexity, and for them, too, change is large and rapid. Amid these circumstances, I would also like to give thought together with you to create and nurture a corporate climate, organization, and business system that enables the entire Group to act with a single way of thinking and orientation.



I have great expectations for the Group to devote concerted effort to taking up the challenges of moving toward a low-carbon society and decarbonization.

Outside Director Michiyo Hamada

The Toho Gas Group is in the midst of attempting a bold metamorphosis from a Tokai-region gas company to a total energy provider headquartered in the Chubu region. I am heartened to see all employees devoting earnest and sincere effort toward becoming an operator that enjoyed the trust of local customers in an even broader range of fields while approaching, in a forward-looking way, the tremendous change in business climate that energy liberalization represents and exposing themselves to a fiercely competitive environment.

The matter of climate change has arisen as an issue of great importance for humankind. I am delighted that Toho Gas, as an energy business enterprise, is in a position where it can contribute directly to resolving this issue. I, too, have great expectations regarding how Toho Gas is demonstrating to the utmost the might it has heretofore steadily cultivated and is devoting concerted effort to taking up these challenges.

Though the business climate surrounding Toho Gas is this maelstrom of upheaval, for listed companies, the modality of the corporation is also in the midst of transformation. As a corporate legal scholar, I have closely followed the shifts in

corporate governance reforms since they became a major topic in the U.S.A. in the 1980s. The way that the "comply or explain" approach to governance codes that began in the U.K. in the 1990s also made a lasting impression. It was just when this surge was advancing upon Japan that I was assumed the position of an Outside Officer of Toho Gas and witnessed with my own eyes how the form of company management steadily evolved year after year, and have been deeply struck by its turns of fate.

Against the background of greater efficiency in information disclosure and communication of information through developments in digital technology, the evaluative functions of the stock market have grown in sophistication. In the central area of corporate management, decision-making through dialog and debate with persons of divergent standpoints has experienced a deepening. For Toho Gas to increasingly heighten its presence as a public institution in society while accommodating the expectations of shareholders and customers, employees, regional communities, and other stakeholders, I intend to fulfill my role and duties as an Outside Director from an independent objective standpoint and with a sense of tension.



I hope to see growth into a world-leading energy company moving toward achieving carbon neutrality.

Outside Director Taku Oshima

I assumed the position of Outside Director at the last annual shareholders meeting.

Toho Gas celebrates the centennial anniversary of its establishment next year, and heretofore it has managed and expanded energy infrastructure operations centered on gas supply in the Tokai region, contributing in a big way to the development of local communities. Further, with the recent growth in the importance of renewable-energy electrical power, Toho Gas has been actively devoting efforts to development of a variety of power sources.

The development and practical implementation around the world of decarbonization technology for moving toward carbon neutrality seems to be accelerating, and I would very much like for Toho Gas put to use the technology and knowledge it has heretofore amassed and grow into a world-leading energy company in this field as well.

Since joining NGK Insulators, I have experienced new-pdt develop based on the area of manufacturing technology and launched of new business ventures. Since becoming President, I have also devoted effort not only to product-making, but also to what we now call work-style reform and strengthening governance.

As a wide range of changes and reforms such as ESG matters, digital transformation (DX), and carbon neutrality advance in our world, NGK Insulators is also pressing ahead to address a variety of challenges on a company-wide scale. I would be pleased if some of this experience and knowledge could help Toho Gas grow in some small way.

NGK Insulators is a manufacturer of ceramic products, which differs greatly from Toho Gas's business configuration, but perhaps I can provide useful advice from a different point of view.

External Opinion and Evaluation

Expert Opinion



Taking Up the Bold Challenge of a Two-front War

The Japan Research Institute, Limited
Senior Counselor
Eiichiro Adachi

Last year, in commentary titled "Thoughts on the Gas Business in 2050," I noted that I look forward to the delineation of the future of the gas industry that is taking a hard look at decarbonization. As many know, since the latter half of last year, Japan and the rest of the world's advanced countries have all at once altered the course of their policies toward the objective of carbon neutrality in 2050.

The "Climate Change Initiatives" special feature in this year's Integrated Report (pages 17 to 25), covers 1) information disclosure in line with what is espoused by the Task Force on Climate-related Financial Disclosures (TCFD), and 2) the Toho Gas Group 2050 Carbon Neutrality Initiative

formulated in July. It is highly admirable how detailed and abundantly persuasive these are.

Meanwhile, according to the Japanese government's sixth Basic Energy Plan (draft), in FY2030, it is anticipated that approximately 70% of total energy demand will still be for the modality of heating, fuel, and the like, with some 20% of primary energy supply coming from natural gas.

It is anticipated that for the Toho Gas Group a two-front war will be unavoidable: the decarbonization of gas itself by 2050 and a stable supply of natural gas, whose role will be most highly looked to in around 2030.

In the Message from the President (pages 11 to 16), it is noted how the Toho Gas Group, which celebrates its centennial in 2022, has endeavored to reduce environmental impact while successively changing the source material for its main product of city gas from coal to petroleum, then from petroleum to natural gas, and has continued to grow together with the region. I identify strongly with his declaration: "I am certain that, without fail, we can also accomplish carbon neutrality." From the bottom of my heart, I look forward to ambition challenges being addressed without being bound by convention.

Evaluation by External Organizations

| | |
|--|--|
| MSCI Japan ESG Select Leaders Index | Toho Gas continues to be a selected constituent since 2017. |
| MSCI Japan Empowering Women Index (Select) | Toho Gas continues to be a selected constituent since 2017. |
| SOMPO Sustainability Index | Toho Gas continues to be a selected constituent since 2012. |
| S&P/JPX Carbon Efficient Index | Toho Gas continues to be a selected constituent since 2018. |
| CDP Climate Change 2020 | Toho Gas received an A- rank evaluation. |
| Nikkei SDGs Management Survey 2020 | Toho Gas received an overall evaluation of 3.5 starts (deviation value of 58.5). |

External Awards

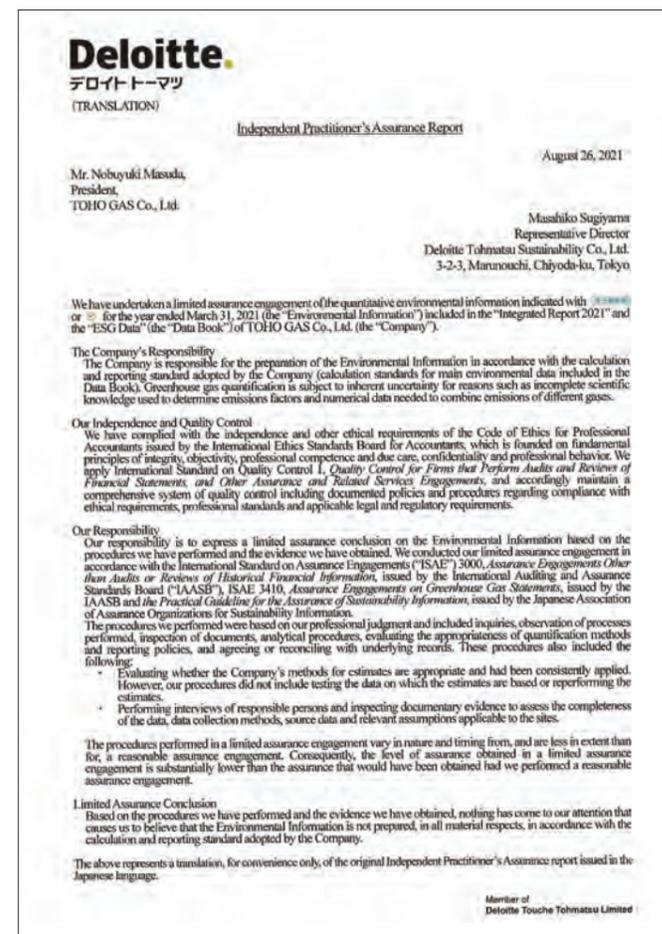
Major awards received in FY2020 are as follows.

| Name | Main sponsor | Target | Joint award winner |
|---|---|--|--|
| Cogeneration Award 2020 Chairman's Award | Advanced Cogeneration and Energy Utilization Center Japan | Excellence in low-carbon performance and disaster-response performance, with cogeneration at the core, in the urban planning for smart town Minato AQUUS | Nikken Sekkei Ltd. and Nikken Sekkei Research Institute |
| Energy Conservation Grand Prize Product/Business Model Category - Agency for Natural Resources and Energy Chairperson's Prize | The Energy Conservation Center, Japan | GHP XAIR III ultra-efficient gas engine heat pump | Tokyo Gas Co., Ltd. - Osaka Gas Co., Ltd. - Aisin Seiki Co., Ltd. (currently Aisin Corporation) - Panasonic Corporation - Yanmar Energy System Co., Ltd. |

Independent Practitioner's Assurance of Environmental Data

Toho Gas Group has received independent practitioner's assurance of environmental data in order to increase the reliability of such. Since first acquiring independent practitioner's assurance in FY2002, Toho Gas has worked to improve the reliability of environmental data, expanding the coverage of the value chain and the scope of data included.

Independent Practitioner's Assurance Report



[Independent Practitioner]

Deloitte Tohmatsu Sustainability Co., Ltd.

[Scope of Coverage]

FY2020 environmental data marked with **第三者保証** or on this booklet and the ESG Data online indicates the data is assured by an independent practitioner. The data includes greenhouse gases (CO₂ equivalent), energy consumption (electricity, gas, and other fuels), waste, water consumption and discharge, resource usage amounts (LNG and LPG), sales volumes (city gas, LPG, heat, and electricity), etc.

[Calculation Standard for Major Environmental Data]

Major environmental data calculation standards are described in the ESG Data online.

Acquisition of Assurance

Our major business sites including city gas plants, district heating and cooling facilities, head quarters, and subsidiaries with significant environmental loads underwent examinations of energy usage, waste, water consumption and discharge, and, from the perspective of environmental load in the value chain, sales volume of natural gas, LPG, heat, electricity, and CO₂ emissions from procurement and use of our products by customers.

This fiscal year, as with last fiscal year, in response to COVID-19, we avoided conducting face-to-face surveys, and instead devised measures such as web meetings to carry out the surveys.

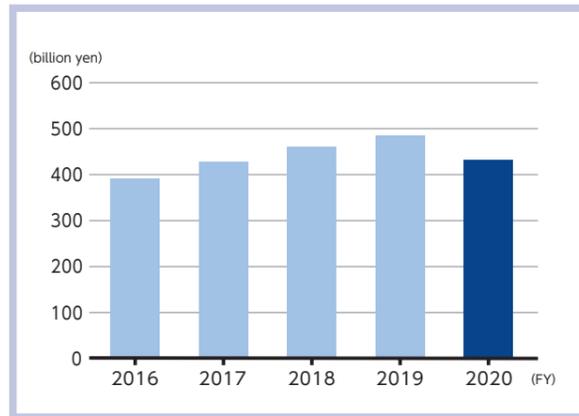
We will continue to work on the enhancement of data reliability and augmented disclosure of the Toho Gas Group's environmental information.



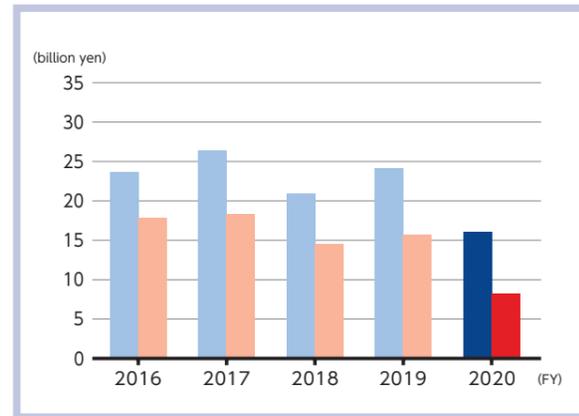
Interview with senior management

Fundamental Data

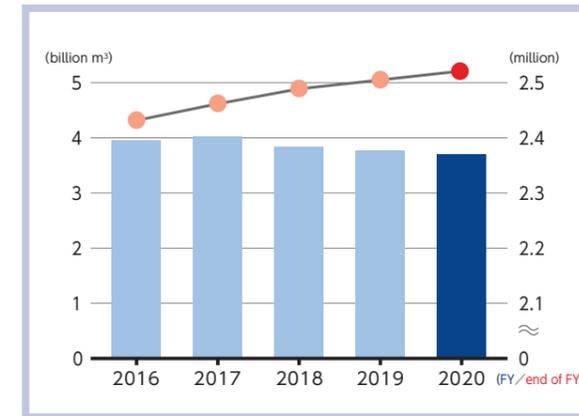
■ Sales **434.7** billion yen



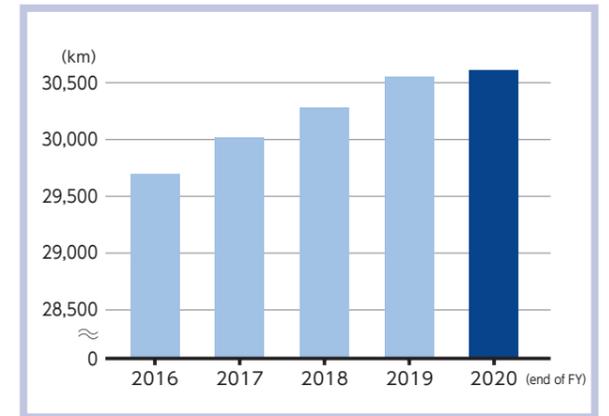
■ Ordinary income **16.6** billion yen | ■ Net income **8.5** billion yen



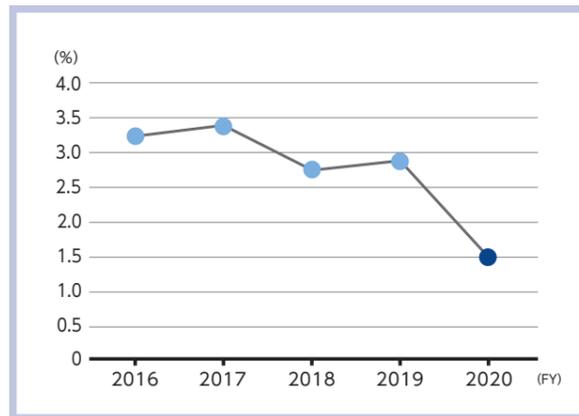
■ City gas sales volume **3.61** billion m³ | ■ Number of city gas customers (Number of city gas meters installed) **2,533** million



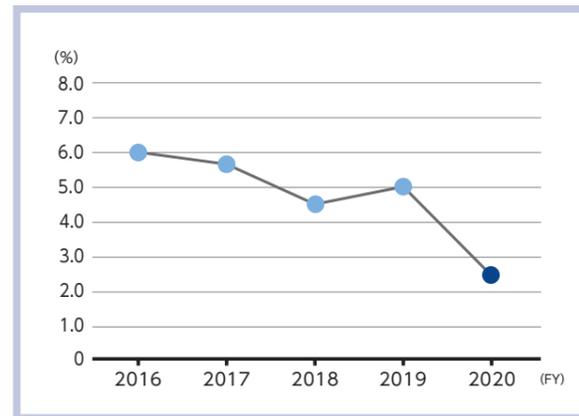
■ Total pipeline length **30,754** km



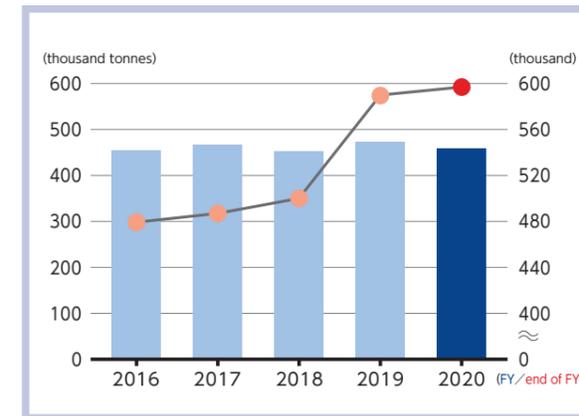
● ROA (Return on asset) **1.5**%



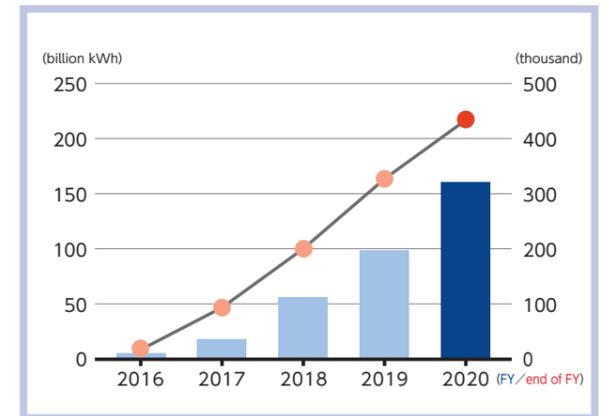
● ROE (Return on equity) **2.5**%



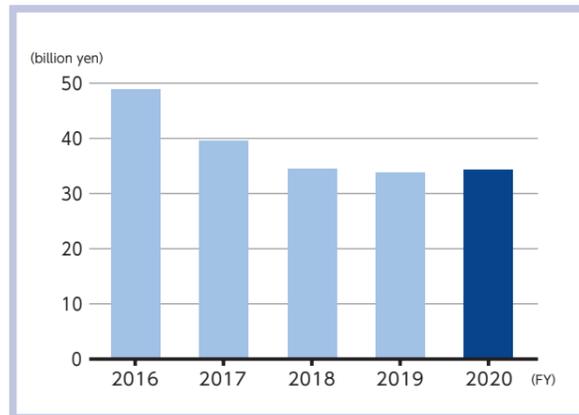
■ LPG sales volume **462** thousand tonnes | ■ Number of LPG customers (Including subcontracted deliveries) **594** thousand



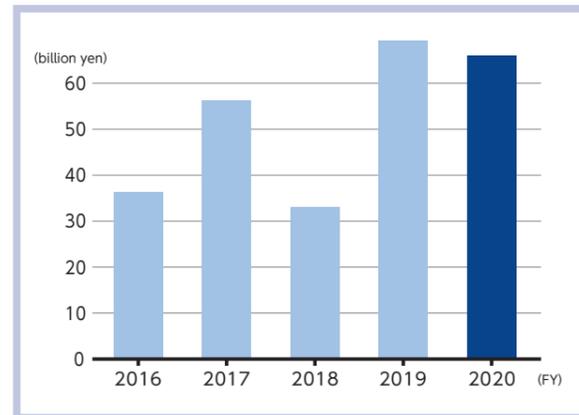
■ Electricity sales volume **1.6** billion kWh | ■ Number of electricity customers **438** thousand



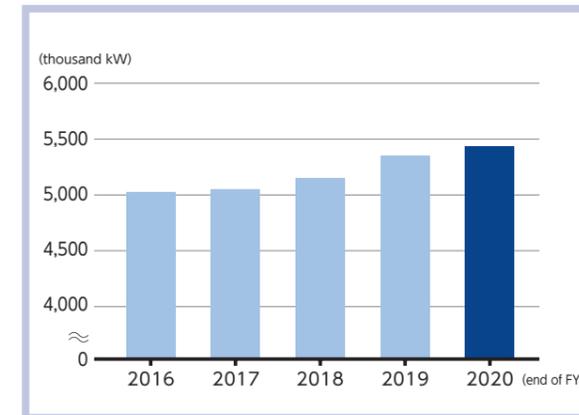
■ Capital expenditure **34.3** billion yen



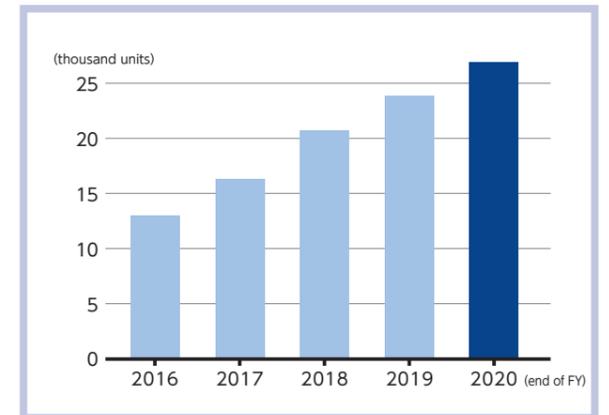
■ Operating cash flow **64.3** billion yen



■ Status of popularization of gas air conditioning (non-consolidated) **5,453** thousand kW



■ ENE FARM cumulative unit sales (non-consolidated) **27.3** thousand units



Financial Highlights (consolidated)

(FY)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Net sales (million yen) | 436,825 | 482,360 | 518,305 | 560,462 | 580,984 | 479,870 | 390,433 | 428,868 | 461,199 | 485,623 | 434,776 |
| Operating income (million yen) | 23,906 | 17,503 | 12,621 | 15,751 | 28,760 | 60,725 | 23,188 | 23,984 | 17,831 | 21,351 | 13,515 |
| Ordinary income (million yen) | 24,334 | 18,164 | 13,382 | 17,053 | 29,516 | 61,132 | 24,490 | 25,208 | 21,485 | 24,763 | 16,622 |
| Net income attributable to owners of the parent (million yen) | 14,491 | 8,570 | 8,526 | 11,241 | 19,053 | 43,008 | 17,749 | 18,022 | 14,820 | 16,266 | 8,592 |
| Net cash flow from operating activities (million yen) | 53,929 | 32,163 | 40,261 | 37,809 | 62,320 | 114,923 | 37,264 | 57,047 | 32,615 | 68,376 | 64,397 |
| Free cash flow (million yen) | 20,085 | (1,426) | 1,903 | 4,792 | 24,480 | 72,727 | (20,703) | 13,702 | (7,396) | 25,426 | 23,424 |
| Total assets (million yen) | 495,626 | 492,889 | 504,461 | 509,760 | 543,286 | 555,217 | 532,931 | 541,087 | 550,599 | 564,756 | 601,835 |
| Equity capital (million yen) | 221,425 | 224,292 | 236,470 | 245,890 | 282,827 | 285,186 | 306,801 | 326,279 | 327,339 | 322,768 | 359,492 |
| ROA (%) | 2.9 | 1.7 | 1.7 | 2.2 | 3.6 | 7.8 | 3.3 | 3.4 | 2.7 | 2.9 | 1.5 |
| ROE (%) | 6.6 | 3.8 | 3.7 | 4.7 | 7.2 | 15.1 | 6.0 | 5.7 | 4.5 | 5.0 | 2.5 |
| Total asset turnover (times) | 0.88 | 0.98 | 1.03 | 1.10 | 1.07 | 0.86 | 0.73 | 0.79 | 0.84 | 0.86 | 0.72 |
| Equity ratio (%) | 44.7 | 45.5 | 46.9 | 48.2 | 52.1 | 51.4 | 57.6 | 60.3 | 59.5 | 57.2 | 59.7 |
| Interest-bearing debt (million yen) | 161,400 | 164,325 | 162,015 | 164,517 | 149,703 | 127,163 | 114,954 | 112,199 | 127,298 | 128,495 | 129,922 |
| D/E ratio (times) | 0.73 | 0.73 | 0.69 | 0.67 | 0.53 | 0.45 | 0.37 | 0.34 | 0.39 | 0.40 | 0.36 |
| EPS (yen) | 131.09 | 78.42 | 78.12 | 103.05 | 174.72 | 397.06 | 164.87 | 169.28 | 139.37 | 153.62 | 81.37 |
| BPS (yen) | 2,011.23 | 2,054.78 | 2,167.63 | 2,254.58 | 2,593.74 | 2,634.72 | 2,865.00 | 3,068.29 | 3,078.37 | 3,056.42 | 3,404.33 |
| PER (times) | 16.36 | 31.12 | 39.25 | 27.27 | 20.06 | 10.06 | 23.87 | 19.32 | 35.66 | 31.90 | 83.94 |
| PBR (times) | 1.07 | 1.19 | 1.41 | 1.25 | 1.35 | 1.52 | 1.37 | 1.07 | 1.61 | 1.60 | 2.01 |
| Number of issued shares at the end of the term (excluding treasury stock) (thousand shares) | 110,094 | 109,156 | 109,091 | 109,062 | 109,042 | 108,241 | 107,086 | 106,339 | 106,335 | 105,603 | 105,606 |
| Dividend per share (yen) | 40.0 | 42.5 | 45.0 | 45.0 | 47.5 | 50.0 | 50.0 | 52.5 | 55.0 | 55.0 | 55.0 |
| Capital expenditures (million yen) | 33,259 | 32,546 | 35,198 | 33,093 | 36,570 | 40,101 | 49,298 | 39,629 | 34,610 | 33,566 | 34,305 |
| Depreciation and amortization (million yen) | 40,573 | 40,272 | 36,901 | 35,780 | 33,950 | 32,987 | 35,482 | 35,973 | 36,075 | 37,557 | 37,463 |
| Pipeline length (km) | 28,073 | 28,373 | 28,709 | 28,970 | 29,203 | 29,431 | 29,722 | 30,007 | 30,274 | 30,557 | 30,754 |
| Number of city gas customers (installed gas meters) (thousand) | 2,307 | 2,322 | 2,345 | 2,364 | 2,387 | 2,409 | 2,434 | 2,463 | 2,486 | 2,510 | 2,533 |
| City gas sales volume (million m ³) | 4,001 | 4,035 | 4,045 | 4,073 | 4,031 | 3,908 | 3,974 | 4,024 | 3,838 | 3,792 | 3,610 |
| Number of employees (persons) | 5,654 | 5,668 | 5,662 | 5,813 | 5,817 | 5,818 | 5,860 | 5,892 | 5,799 | 6,198 | 6,225 |

* The financial figures described in this section are rounded down to the nearest million yen.
Toho Gas consolidated its shares at the ratio of 5 shares to 1 share of common stock effective October 1, 2017. Accordingly, the dividend per share and the number of issued shares reflect the impact of the said consolidation of shares.

* Although unaudited, financial figures in this section are based on our certified securities reports.

ROA = Net income attributable to owners of the parent / Total assets (average during the term) ×100
ROE = Net income attributable to owners of the parent / Equity capital (average during the term) ×100
Total asset turnover rate = Net sales / Total assets (end of the term)
Equity ratio = Equity capital / Total assets (end of the term) ×100
D/E ratio = Interest-bearing debt outstanding / Equity capital (end of the term)

EPS = Net income attributable to owners of the parent related to common shares / Average number of common shares during the term
BPS = Total net assets at the end of the term related to common shares / Number of issued common shares at the end of the term

PER = Stock price at the end of the term / Net income per share
PBR = Stock price at the end of the term / Net assets per share

Consolidated Balance Sheets

(million yen)

| | End of FY2019 (March 31, 2020) | End of FY2020 (March 31, 2021) |
|---|-----------------------------------|-----------------------------------|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | | |
| Production facilities | 72,421 | 67,644 |
| Distribution facilities | 154,175 | 149,271 |
| Service and maintenance facilities | 26,476 | 26,368 |
| Other facilities | 47,372 | 44,506 |
| Construction in progress | 10,622 | 15,063 |
| Total property, plant and equipment | 311,068 | 302,855 |
| Intangible assets | | |
| Other | 10,829 | 8,726 |
| Total intangible assets | 10,829 | 8,726 |
| Investments and other assets | | |
| Investment securities | 76,879 | 101,469 |
| Long-term loans receivable | 7,754 | 7,547 |
| Deferred tax assets | 13,755 | 3,771 |
| Net defined benefit asset | 323 | 13,762 |
| Other | 11,759 | 15,816 |
| Allowance for doubtful accounts | (96) | (110) |
| Total investments and other assets | 110,376 | 142,256 |
| Total non-current assets | 432,275 | 453,838 |
| Current assets | | |
| Cash and deposits | 34,702 | 40,731 |
| Notes and accounts receivable-trade | 58,111 | 51,383 |
| Lease receivables and investment assets | 11,007 | 12,848 |
| Securities | — | 10,000 |
| Inventories | 23,912 | 18,358 |
| Other | 4,919 | 14,897 |
| Allowance for doubtful accounts | (171) | (223) |
| Total current assets | 132,481 | 147,996 |
| Total assets | 564,756 | 601,835 |

(million yen)

| | End of FY2019 (March 31, 2020) | End of FY2020 (March 31, 2021) |
|---|-----------------------------------|-----------------------------------|
| Liabilities | | |
| Non-current liabilities | | |
| Bonds payable | 70,000 | 70,000 |
| Long-term loans payable | 36,541 | 49,108 |
| Deferred tax liabilities | 649 | 3,774 |
| Provision for gas holder repairs | 1,690 | 1,472 |
| Provision for safety measures | 15,173 | 16,782 |
| Provision for gas appliance warranties | 2,808 | 2,323 |
| Net defined benefit liability | 7,959 | 5,801 |
| Other | 9,443 | 10,462 |
| Total non-current liabilities | 144,265 | 159,725 |
| Current liabilities | | |
| Current portion of non-current liabilities | 13,833 | 2,612 |
| Notes and accounts payable-trade | 23,432 | 30,158 |
| Short-term loans payable | 6,862 | 4,709 |
| Income taxes payable | 6,480 | 3,551 |
| Other | 47,113 | 41,585 |
| Total current liabilities | 97,721 | 82,617 |
| Total liabilities | 241,987 | 242,342 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 33,072 | 33,072 |
| Capital surplus | 8,387 | 8,387 |
| Retained earnings | 256,066 | 258,850 |
| Treasury stock | (11) | (40) |
| Total shareholders' equity | 297,514 | 300,270 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 29,790 | 45,179 |
| Deferred gains or losses on hedges | (3,422) | 6,198 |
| Foreign currency translation adjustment | 1,852 | 1,005 |
| Remeasurement of defined benefit plans | (2,967) | 6,838 |
| Total other comprehensive income | 25,253 | 59,222 |
| Total net assets | 322,768 | 359,492 |
| Total liabilities and net assets | 564,756 | 601,835 |

Consolidated Statements of Income (million yen)

| | FY2019 (April 1, 2019 to March 31, 2020) | FY2020 (April 1, 2020 to March 31, 2021) |
|---|---|---|
| Net sales | 485,623 | 434,776 |
| Cost of sales | 330,092 | 285,516 |
| Gross profit | 155,530 | 149,260 |
| Selling, general and administrative expenses | 134,179 | 135,745 |
| Operating income | 21,351 | 13,515 |
| Non-operating income | | |
| Interest income | 377 | 305 |
| Dividend income | 1,906 | 2,059 |
| Rent income | 679 | 697 |
| Miscellaneous income | 1,747 | 1,474 |
| Total non-operating income | 4,710 | 4,537 |
| Non-operating expenses | | |
| Interest expenses | 821 | 744 |
| Equity in investment losses | — | 187 |
| Miscellaneous expenses | 476 | 498 |
| Total non-operating expenses | 1,298 | 1,430 |
| Ordinary income | 24,763 | 16,622 |
| Extraordinary income | | |
| Gain on sales of investment securities | 1,434 | 1,440 |
| Total extraordinary income | 1,434 | 1,440 |
| Extraordinary loss | | |
| Impairment loss | 2,526 | 4,730 |
| Loss on valuation of investment securities | 277 | — |
| Total extraordinary loss | 2,803 | 4,730 |
| Net income before income taxes | 23,393 | 13,331 |
| Income taxes-current | 6,613 | 5,060 |
| Income taxes-deferred | 514 | (320) |
| Total income taxes | 7,127 | 4,739 |
| Net income | 16,266 | 8,592 |
| Net income attributable to owners of the parent | 16,266 | 8,592 |

Consolidated Statements of Comprehensive Income (million yen)

| | FY2019 (April 1, 2019 to March 31, 2020) | FY2020 (April 1, 2020 to March 31, 2021) |
|---|---|---|
| Net income | 16,266 | 8,592 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (5,369) | 15,389 |
| Deferred gains or losses on hedges | (4,025) | 9,610 |
| Foreign currency translation adjustment | (90) | (1,223) |
| Remeasurement of defined benefit plans | (2,205) | 9,886 |
| Share of other comprehensive income of entities accounted for using equity method | (304) | 305 |
| Total other comprehensive income | (11,994) | 33,968 |
| Comprehensive income | 4,271 | 42,561 |
| Comprehensive income attributable to: | | |
| Owners of the parent | 4,271 | 42,561 |
| Non-controlling interests | — | — |

Consolidated Statements of Cash Flows (million yen)

| | FY2019 (April 1, 2019 to March 31, 2020) | FY2020 (April 1, 2020 to March 31, 2021) |
|--|---|---|
| Cash flows from operating activities | | |
| Net income before income taxes | 23,393 | 13,331 |
| Depreciation and amortization | 37,557 | 37,463 |
| Impairment loss | 2,526 | 4,730 |
| Gain on sales of investment securities | (1,434) | (1,440) |
| Increase (decrease) in provision | (2,712) | 971 |
| Interest and dividend income | (2,283) | (2,364) |
| Interest expense | 821 | 744 |
| Decrease (increase) in notes and accounts receivable-trade | 1,354 | 6,727 |
| Decrease (increase) in inventories | 1,140 | 5,553 |
| Increase (decrease) in notes and accounts payable-trade | 2,777 | 6,741 |
| Other | 8,509 | (1,924) |
| Subtotal | 71,652 | 70,535 |
| Interest and dividend income received | 2,280 | 2,366 |
| Interest expenses paid | (769) | (756) |
| Income taxes paid | (4,787) | (7,748) |
| Net cash provided by (used in) operating activities | 68,376 | 64,397 |
| Cash flows from investment activities: | | |
| Purchases of non-current assets | (33,566) | (34,305) |
| Proceeds from sales of non-current assets | 243 | 25 |
| Purchase of investment securities | (1,717) | (3,798) |
| Proceeds from sales of investment securities | 1,765 | 1,468 |
| Purchase of subsidiaries accompanying change of scope of consolidation | (6,412) | — |
| Other | (3,262) | (4,363) |
| Net cash provided by (used in) investment activities | (42,949) | (40,972) |
| Cash flows from financing activities: | | |
| Net increase (decrease) in short-term loans payable | (12,437) | (2,153) |
| Proceeds from long-term loans payable | 6,116 | 14,905 |
| Repayment of long-term loans payable | (5,466) | (13,801) |
| Proceeds from issuance of bonds | 19,888 | — |
| Redemption of bonds | (10,103) | — |
| Purchase of treasury stock | (3,012) | (29) |
| Cash dividends paid | (5,830) | (5,807) |
| Other | 112 | 123 |
| Net cash provided by (used in) financing activities | (10,730) | (6,764) |
| Effect of exchange rate change on cash and cash equivalents | 22 | (95) |
| Net increase (decrease) in cash and cash equivalents | 14,718 | 16,564 |
| Cash and cash equivalents at beginning of year | 19,260 | 33,979 |
| Cash and cash equivalents at end of year | 33,979 | 50,543 |

Company Overview (as of March 31, 2021)

Toho Gas was established in Nagoya, Aichi Prefecture, in 1922 to accommodate expanding demand for gas. The three-prefecture Tokai region enjoys a concentration of manufacturing industries, and as an energy operator with a presence throughout the region. We have succeeded in growing and developing together with the region.

| | | | |
|--------------------|---|-----------------------|---|
| Corporate Name | TOHO GAS CO., LTD. | Capital | 33,072 million yen |
| Date of Foundation | June 26, 1922 | City gas supply areas | 54 cities, 21 towns and 1 village in Aichi, Gifu and Mie Prefectures |
| Head Office | 19-18, Sakurada-cho, Atsuta-ku, Nagoya, Aichi 456-8511, Japan | Number of employees | 2,750 (6,225 on a consolidated basis) |
| Main Businesses | <ul style="list-style-type: none"> Gas business Heat supply business Electricity business Sale of gas equipment and facilities, and gas piping installation | Partner Companies | <ul style="list-style-type: none"> 98 ENEDO (gas equipment sales and service) shops 163 gas engineering companies |

Stock Information

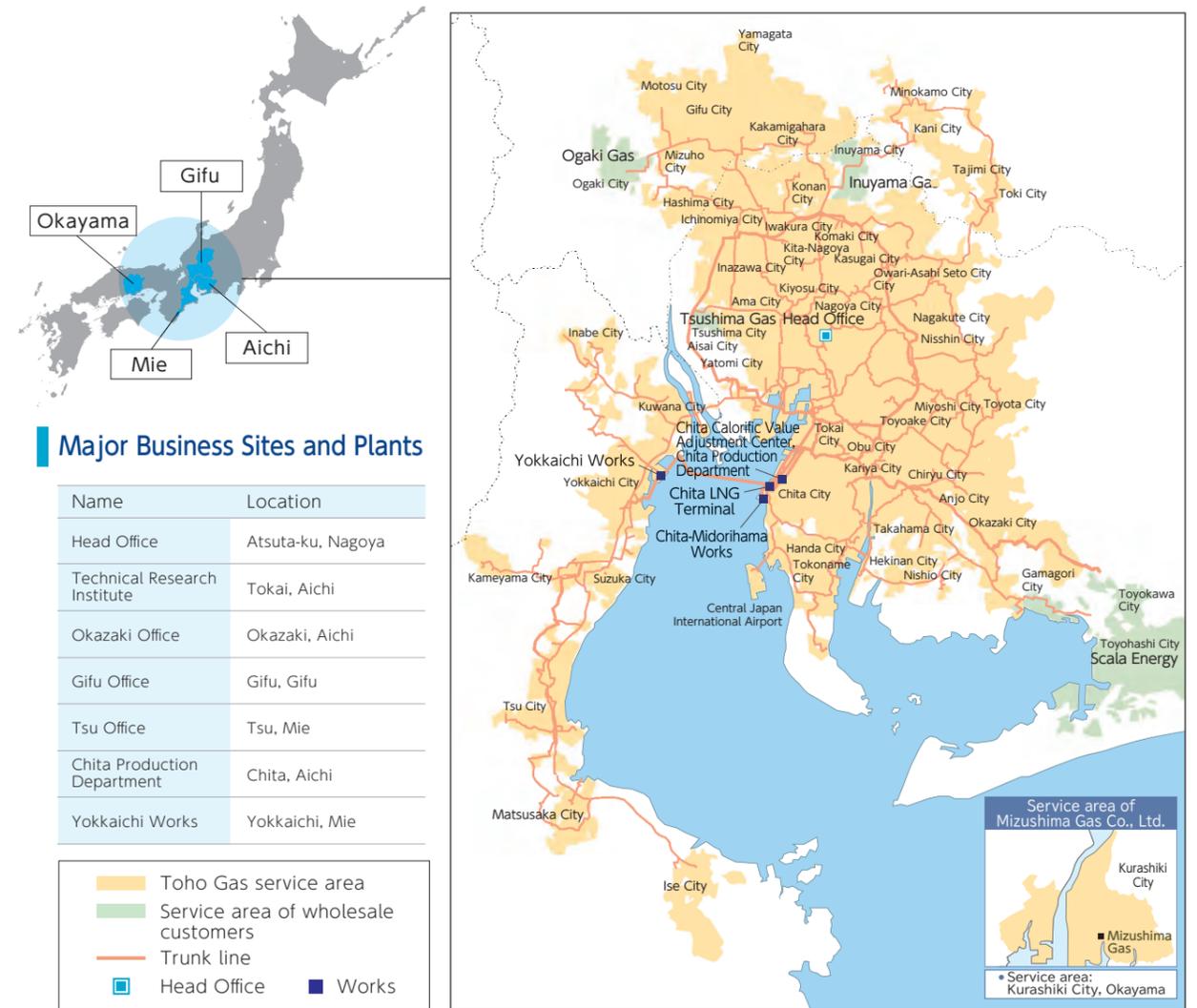
| | |
|--|---|
| Securities code | 9533 |
| Fiscal Year | April 1 to March 31 of the following year |
| Annual Shareholders Meeting | June every year |
| Stock Exchange Listing | Tokyo Stock Exchange, Nagoya Stock Exchange |
| Administrator of Shareholders' Register and Special Account Management Institution | Mitsubishi UFJ Trust and Banking Corporation |
| Contact | Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation, 1-1 Nikko-cho, Fuchu, Tokyo, Japan |
| Number of Shares per Unit | 100 shares |
| Number of Shares Authorized to Be Issued | 160,000 thousand shares |
| Number of Issued Shares | 105,606,285 shares (including treasury stock 7,792 shares) |
| Number of Shareholders | 20,569 |

Major Shareholders

| Name of Shareholder | Number of Shares Held (Thousand) | Percentage of Share Ownership (%) |
|---|----------------------------------|-----------------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust a/c) | 7,292 | 6.90 |
| Nippon Life Insurance Co. | 5,854 | 5.54 |
| Custody Bank of Japan, Ltd. (Trust a/c) | 3,769 | 3.56 |
| Sumitomo Mitsui Banking Corp. | 3,304 | 3.12 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 2,872 | 2.72 |
| The Dai-ichi Life Insurance Co., Ltd. | 2,582 | 2.44 |
| Toho Gas Group Employees Shareholding Association | 2,107 | 1.99 |
| Meiji Yasuda Life Insurance Co. | 1,841 | 1.74 |
| Custody Bank of Japan, Ltd. (Trust a/c 7) | 1,780 | 1.68 |
| STATE STREET BANK WEST CLIENT - TREATY 505234 | 1,628 | 1.54 |

Note: Percentage of share ownership is calculated by the number of shares excluding treasury stock (7,792 shares).

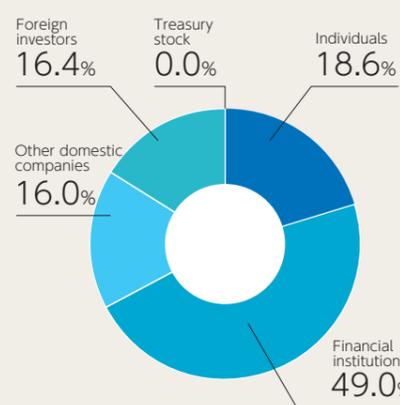
Overview of Major Pipeline Networks and City Gas Service Area



Trends in Stock Price and Trading Volume



Composition of Shareholders



Major Subsidiaries

- Toho Real Estate Co., Ltd.
- Toho Gas Living Co., Ltd.
- Toho Gas Techno Co., Ltd.
- Toho Liquefied Gas Co., Ltd.
- Toho Gas Information System Co., Ltd.
- Toho Gas Safety Life Co., Ltd.
- Mizushima Gas Co., Ltd.
- Toho Gas Customer Service Co., Ltd.
- Yamasa Co., Ltd.
- Toho Gas Engineering Co., Ltd.
- Toho Service Co., Ltd.
- Toho Gas Australia Pty. Ltd.

Note: The total number of consolidated subsidiaries, including the above, is 29.

Our Websites

Investor Relations

<https://www.tohogas.co.jp/lang-n/en/corporate/>



Initiatives for ESG

<https://www.tohogas.co.jp/lang/en/approach/eco/>



*We consolidated common shares at a ratio of five shares to one share on October 1, 2017. Accordingly, the stock price and trading volume figures reflect the impact of the consolidation of shares.