

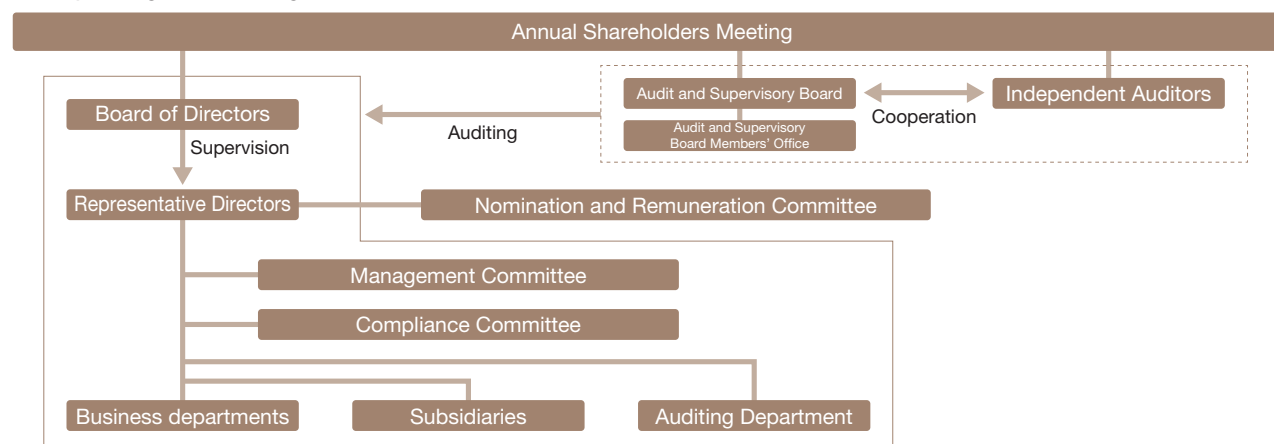
Corporate Governance

Basic Concept

The Toho Gas Group, in accordance with our corporate mission, is committed to the development of a sustainable society by providing a stable supply of environmentally superior energy and the co-creation of new value even while meeting the demands of a changing society through challenges such as decarbonization, digitalization, value diversification, and other issues. Thus, we continue to strengthen our corporate governance, thereby ensuring that we remain a corporate group that has earned the trust of our stakeholders.

Corporate governance organization

Corporate governance organizational chart



Overview of Corporate Governance Structure

Number of Directors (Outside Directors)	9 (3)
Number of Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	5 (3)
Number of Board of Directors' meetings (FY2023)	12
Number of Audit & Supervisory Board meetings (FY2023)	12
Term of office of Directors	1 year

Board of Directors and Management Committee

The Board of Directors comprises nine Directors, including three Outside Directors. In accordance with Board of Directors regulations, the Board of Directors meets every month to make decisions on important matters concerning the Group while supervising the execution of duties by the Directors and Executive Officers.

Board of Directors

Position	Name	Attendance (FY2023)	
		Board of Directors' meetings	Attendance rate
Representative Director, Chairman	Yoshiro Tominari	12/12	100%
Representative Director, President	Nobuyuki Masuda	12/12	100%
Representative Director, Executive Vice President	Hidetoshi Kimura	12/12	100%
Director, Senior Managing Executive Officer	Satoshi Yamazaki	12/12	100%
Director, Senior Managing Executive Officer	Hidetaka Takeuchi	12/12	100%
Director, Managing Executive Officer	Shinsuke Kagami	12/12	100%
Outside Director	Tetsuo Hattori	12/12	100%
Outside Director	Michiyo Hamada	12/12	100%
Outside Director	Taku Oshima	12/12	100%

The Company has adopted the Executive Officer System to strengthen the function of executive operations and clarify responsibilities, and has established a Management Committee to deliberate on important management issues such as important policy measures of each department, in accordance with the basic policy set by the Board of Directors, and to regularly manage the progress of these measures. Various committees chaired by the President and executive officers identify cross-departmental issues and manage the progress of various activities, and the results are submitted to the Management Committee.

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Audit & Supervisory Board

The Audit & Supervisory Board comprises five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members. The Audit & Supervisory Board Members audit the execution of duties by Directors by attending important meetings including the Board of Directors' meeting, reviewing important reports, and conducting business site audits. The members also attend monthly Audit & Supervisory Board meetings to share information.

An Audit & Supervisory Board Office has been established and is staffed by full-time employees to assist Audit & Supervisory Board Members in the execution of their duties.

List of Audit & Supervisory Board Members

Position	Name	Attendance Status (FY2023)			
		Board of Directors' meetings	Attendance rate	Audit & Supervisory Board meetings	Attendance rate
Full-time Audit & Supervisory Board Member	Mitsuhiro Kodama	12/12	100%	12/12	100%
Full-time Audit & Supervisory Board Member	Hiroaki Kato	12/12	100%	12/12	100%
Outside Audit & Supervisory Board Member	Norikazu Koyama	12/12	100%	12/12	100%
Outside Audit & Supervisory Board Member	Keiko Ikeda	12/12	100%	12/12	100%
Outside Audit & Supervisory Board Member	Akihiko Nakamura	11/12	92%	10/12	83%

Outside Directors and Outside Audit & Supervisory Board Members

Outside Directors and Outside Audit & Supervisory Board Members are appointed to strengthen the supervisory and auditing functions of the Company and ensure fair and transparent management. It has been determined that there are no special interests between the Company and the three Outside Directors and three Outside Audit & Supervisory Board Members and no risk of a conflict of interest with general shareholders. As such, the Company has designated them as independent officers as defined by the securities exchange.

We believe that our system ensures objectivity and neutrality in the supervision of management through the supervisory functions of the Outside Directors and the auditing by Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members.

Outside Directors and Outside Audit & Supervisory Board Members (FY2023)

	Name	Reason for selection
Outside Directors	Tetsuo Hattori	He will be able to provide valuable opinions on management in general based upon his deep insight and abundant experience as a corporate manager.
	Michiyo Hamada	She will be able to provide valuable opinions on management in general based upon her deep insight and abundant experience as a corporate legal scholar and member of the Japan Fair Trade Commission.
	Taku Oshima	He will be able to provide valuable opinions on management in general based upon his deep insight and abundant experience as a corporate manager.
Outside Audit & Supervisory Board Members	Norikazu Koyama	He will be able to provide valuable opinions on management in general based upon his deep insight and abundant experience in police administrative agencies.
	Keiko Ikeda	She will be able to provide valuable opinions on management in general with her deep insight based upon her specialized knowledge as a lawyer and abundant experience in legal affairs.
	Akihiko Nakamura	He will be able to provide valuable opinions on management in general based upon his deep insight and abundant experience as a corporate manager.

Evaluation of effectiveness of Board of Directors

Each year, we evaluate the effectiveness of the Board of Directors by surveying and interviewing all Directors and Audit & Supervisory Board Members based on size and composition, meeting management, roles and responsibilities, and information sharing and support systems. Based on the feedback received from the surveys, such as the need to provide opportunities to

share information, we are making improvements to strengthen information sharing and on-site inspections to support appropriate discussions and decision-making. Going forward, we will continue to make improvements to further enhance the effectiveness of the Board of Directors.

Director remuneration

Director remuneration is based on the roles and responsibilities of the Directors as well as corporate performance, and it is set at an appropriate amount taking into account compensation levels of employees and compensation levels at other companies.

Director remuneration consists of fixed remuneration (monetary remuneration), performance-linked remuneration (monetary remuneration), and transfer-restricted stock-based remuneration (non-monetary remuneration), and the payment ratio is set at 6:3:1, respectively, as a guideline. Outside Directors receive only fixed remuneration.

Fixed remuneration and performance-linked remuneration are set by resolution of the Board of Directors with advice from the Nomination and Remuneration Committee, which consists of a majority of Outside Directors, within the range of remuneration determined at the Annual Shareholders Meeting. Performance-linked remuneration is set based on targets from the Medium-Term Management Plan and includes financial metrics such as consolidated ROA and non-financial metrics (ESG indicators) such as contributions to CO₂ reduction. The level of achievement for each year is reflected in the remuneration.

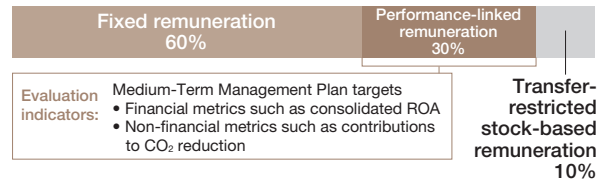
Transfer-restricted stock-based remuneration aims to further promote shared value with stockholders and enhance the motivation of Directors to contribute to the Company's medium- to long-term value growth. Transfer-restricted stock-based remuneration is set by resolution of the Board of Directors with advice from the Nomination and Remuneration Committee, within the range of compensation amount and number of shares in a framework that is separate from the aforementioned range of remuneration determined at the Annual Shareholders Meeting.

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Director remuneration composition

	Fixed remuneration (monetary remuneration)	Performance-linked remuneration (monetary remuneration)	Transfer-restricted stock-based remuneration (non-monetary remuneration)
Internal Director	○	○	○
Outside Director	○	—	—

Internal Director remuneration ratio (guideline)



Selection and dismissal of senior management and nomination of Directors and Audit & Supervisory Board Members

The selection of senior management and the nomination of Directors and Audit & Supervisory Board Members are determined by resolution of the Board of Directors upon deliberation by the Nomination and Remuneration Committee, which consists of a majority of Outside Directors, comprehensively taking into account experience, insight, and personality as well as the abilities required for the position, such as the ability to view and understand overall management and the ability to identify essential issues and risks.

The dismissal of senior management is determined by resolution of the Board of Directors' meeting upon deliberation by the Nomination and Remuneration Committee when it is deemed that it is difficult to fulfill the required role.

Skills matrix

The Company's Board of Directors consists of Internal Directors who are familiar with the operations of various departments and multiple Independent Outside Directors who have experience in various business sectors and industries and deep insight, and takes into consideration the agility of decision-making. The Board of Directors ensures that its Directors and Audit & Supervisory Board Members have the skills necessary for sustainable growth of the Company and medium- to long-term enhancement of corporate value.

Amount of remuneration, etc. for Directors and Audit & Supervisory Board Members in the 153rd term (FY2023)

Position	Total remuneration (million yen)	Total remuneration by type (million yen)			Number of applicable officers
		Fixed remuneration	Performance-linked remuneration	Transfer-restricted stock-based remuneration	
Directors (excluding Outside Directors)	262	146	90	25	8
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	48	48	—	—	2
Outside Directors	29	29	—	—	3
Outside Audit & Supervisory Board Members	29	29	—	—	4

*1 We provide performance-linked remuneration to Directors (excluding Outside Directors). Performance-linked remuneration is calculated based on targets from the Medium-Term Management Plan, such as ROA, and the level of achievement in the previous fiscal year is reflected in the remuneration. ROA in the previous fiscal year was 5.0%.

*2 Restricted stock is allocated as non-monetary remuneration to Directors (excluding Outside Directors) with the aim to further promote shared value with stockholders and enhance the motivation of Directors to contribute to the Company's medium- to long-term value growth. The restricted transfer period shall be from the date of issuance of the restricted stock to the date that the Director or Executive Officer retires from any position at the Company.

Skills matrix of Directors and Audit & Supervisory Board Members

	Name	Corporate management / Business strategy	Finance / Accounting	Legal / Risk management	Human resources / Labor / Human resource development	ESG	Sales / Marketing	Technology / Technological development / IT	Security / Disaster prevention / Stable supply	International Perspective
Directors	Yoshiro Tominari	●				●		●	●	●
	Nobuyuki Masuda	●				●	●	●	●	
	Hidetoshi Kimura	●	●	●		●				●
	Satoshi Yamazaki	●	●		●		●			●
	Shinsuke Kagami	●					●	●	●	●
	Katsuhiko Kozawa	●	●			●	●	●		
	Michiyo Hamada			●		●				●
	Taku Oshima	●						●		●
	Isao Nakanishi					●		●		●
Audit & Supervisory Board Members	Hidetaka Takeuchi	●	●	●	●		●			
	Hiroaki Kato		●	●		●	●			
	Norikazu Koyama			●	●	●				
	Keiko Ikeda	●		●		●				
	Akihiko Nakamura	●	●		●					

* Main expertise and experience of Directors and Audit & Supervisory Board Members