

Internal Controls

Basic Concept (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.”

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

Operation of the Internal Control System

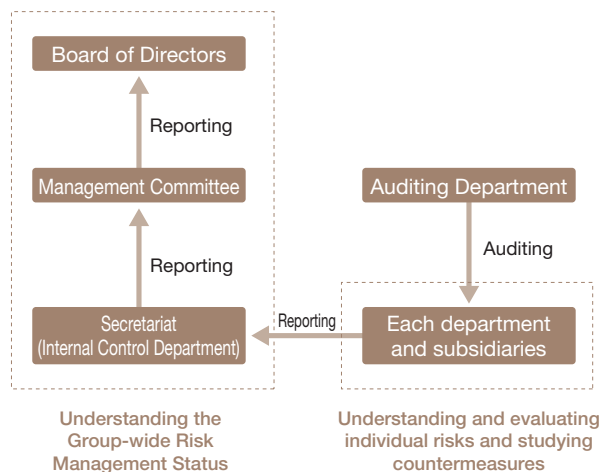
Risk management

Risk management system

In accordance with our risk management rules, we work to systematically reduce risks by determining responsible departments for each risk, and the risk management status of the Group is deliberated each year by the Management Committee and reported to the Board of Directors. Climate change, human rights, and other ESG-related risks are included in risk management.

Committees promote risk mitigation measures for cross-departmental issues, and the progress and issues are then reported to the Management Committee. In addition, we are strengthening and improving measures for critical management issues, such as reviewing them from the perspective of risk management.

Risk management system



Risk management flow



Major Risks That Could Affect the Group's Business

1. Fluctuations in demand
2. Fluctuations in feedstock prices
3. Fluctuations in electricity procurement prices
4. Fluctuations in interest rates, etc.
5. Changes in energy policies, laws and regulations, systems, etc.
6. Natural disasters
7. Disruptions in feedstock procurement
8. Disruptions in production and supply
9. Disruptions in information systems
10. Problems with gas appliances and facilities
11. Problems with the quality of products, services, etc.
12. Delays in the delivery of goods, materials, equipment, etc.
13. Changes in the investment environment
14. Noncompliance issues
15. Data leaks
16. Outbreaks of infectious disease

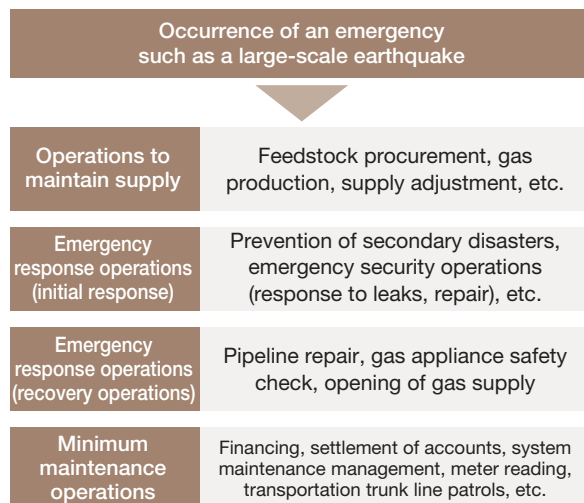
Internal Controls

Disaster preparedness and business continuity

To ensure the supply of city gas, which is essential for daily life, to our customers, we have established a management system in case of emergencies, formulated a business continuity plan (BCP), continuously conduct drills in preparation for a large-scale disaster, and strengthen cooperation with affiliates and cooperating companies.

In our BCP, we establish guidelines and measures for responding to a large-scale earthquake, with the aim of working to ensure the safety of our customers by preventing secondary disasters due to gas leaks and achieving early recovery by securing personnel, goods, materials, and equipment necessary for recovery in areas where gas supply has been interrupted. In addition, we are organizing measures to secure essential supplies, such as equipment, materials, and food as well as measures to secure facilities in advance.

● Business operations during emergencies



Management of Subsidiaries

We support the development and operation of internal control systems at affiliates in order to strengthen internal control throughout the Group.

Subsidiaries make decisions and report important matters to the Board of Directors in accordance with each company's Board of Directors regulations.

In addition, Toho Gas receives regular reports from major subsidiaries regarding their annual plans, financial results, operations, and activities related to internal control, in accordance with the Regulations for Management of Subsidiaries.

Information Management and Information Security Measures

Reports (approval documents) and minutes from important meetings are stored and managed with retention periods set according to their level of importance, in accordance with document management regulations. In addition, we regularly conduct self-audits of document management and monitor the status of information storage and management.

To ensure proper cyber security, our Cyber Security Committee provides company-wide control and discusses strengthening security measures. Furthermore, we work to raise security awareness among Group employees through targeted email training and online security education, and we continuously conduct drills to prepare for incidents. In FY2023, we established a cyber security strengthening month focusing on drills and raising awareness.

Internal Auditing

Compliance with the Financial Instruments and Exchange Law

In response to the Internal Control Reporting System for Financial Reporting under the Financial Instruments and Exchange Law, relevant departments and subsidiaries conduct self-assessments to ensure that internal rules and checks are properly established and implemented. The Auditing Department performs further assessments before undergoing an external audit by an auditing firm. Through this process, we confirmed that Toho Gas Group's internal controls over financial reporting were effective in FY2023, and an internal control report was submitted to the Financial Services Agency.

Internal auditing

In accordance with our audit plan, the Auditing Department audits Toho Gas and its subsidiaries to ensure that business operations are conducted properly and efficiently. The audit results, including any advice, are then reported promptly to the President and Audit & Supervisory Board Members.