

# Corporate Governance

## Message from the Director, Chairperson of the Board

### Management will propel innovation for the realization of sustainability

I cherish the phrase “Learn history and usher in the times.” Looking back at the 136 -year history of Tokyo Gas, I find that the belief of the founder Shibusawa Eiichi, that the highest priority should be “Pursuit of the public interest,” has been successively inherited for generations. More than 50 years ago in 1969, amid the intensifying severity of urban pollution conditions such as air pollution, Tokyo Gas introduced use of liquefied natural gas (LNG), which is both environmentally friendly and economical, to Japan as the optimum solution to social challenges. In the 1980s, the company was also engaged in mecenat (in French, mécénat, meaning sponsorship or patronage) and social contribution activities as a “corporate citizen.” In the 1990s, global environmental problems worsened, and Tokyo Gas set its sights on becoming a top runner in the environmental management race. Since the 2000s, with the increased social attention given to corporate governance, we have been striving to be a “leading corporate governance company.” More recently, ESG and

SDGs have emerged as new key words, but I would say we have worked on these subjects for the past few decades.

Regarding governance, Tokyo Gas introduced an executive officer system in 2002 and began reducing the number of directors and inviting outside directors. In 2017, we made significant revisions to the Board of Directors rules: the authority to execute was broadened, and the role of the Board of Directors and the role of Corporate Executive Officers were clarified. And in June 2021, we made a transition to a “Company with a Nominating Committee, etc.”

For the past 136 years, the main energy source in Japan has shifted from coal to oil and gas, all of which, however, are fossil fuels. Carbon neutral is something totally new and different. Japan’s gas business has been liberalized and as one result Tokyo Gas will split off the Gas Pipeline Business in April 2022. I think this is the first time in its history that the Tokyo Gas Group is experiencing such drastic change.

Along with this changing external

Director,  
Chairperson of the Board  
**HIROSE Michiaki**

environment, management must also change. We therefore started working at two reforms: “governance reform” and “group formation reform.” While the “group formation reform” includes work and human resources and involves each and every employee, the “governance reform” focuses primarily on the executives. The Board of Directors has sent out a message that “The management will drive innovation” to interested persons both in and outside the company. This means “we, the management, change ourselves.” I have felt strongly that we must have firm resolve that “Tokyo Gas will be reborn.”

In Japan there are two types of “companies with a committee” – a “Company with an Audit and Supervisory Board” and a “Company with a Nominating Committee, etc.” The most significant difference is that in case of the latter the nominating committee effectively determines the top management. In our current era of historical transition, the CEO must be well accepted in and out of the company group to be entrusted with management authority. I believe that external recognition will allow the CEO to carry out duties with greater confidence. That is why the Board of Directors has decided to adopt the “Company with a Nominating Committee, etc.” form. In all cases, I think that experiencing scrutiny not only by internal eyes but also external eyes will increase transparency as well as the diversity.

I am also hoping that the move to a “Company with a Nominating Committee, etc.” will make management stronger and deeper. As I

said earlier, Tokyo Gas must transform itself from being in the gas business to being engaged in the electric power business, and much more in overseas business, as two of the major ongoing and unprecedented drastic changes that challenge us. By creating two management bodies, the Board of Directors and the Executives, I think we can realize deeper discussions and deeper decision-making.

The Board of Directors is expected to have supervisory functions and broader discussion, while execution requires professionalism and deeper debate. I believe that we have been able to create a management system which leads to bring even better solutions, as the Board of Directors and executives are well balanced, allowing them to have candid exchange of opinions or even a conflict of opinions in some cases. As the Chairperson of the Board of Directors, I understand that it is important that the Board and the executives fulfill their respective roles and responsibilities. Governance reform never ends.

The role of Chairperson will also become more important. The post-transition Board of Directors in addition to making resolutions will have more matters to be reported from the execution side and to check. We have to decide each time what matter should be discussed by the Board, and what should be reported from the execution side. I certainly expect executives to proactively report to the Board but I think that there will be cases where the Board needs to

request reporting. I believe that the Chairperson must lead such operational preparations.

Moreover, in order to conduct a Board of Directors meeting that serves its purpose in being a “Company with a Nominating Committee, etc.,” it is important that the Chairperson understands the contexts and issues of the execution efforts and communicates with executives to a certain extent. Given these considerations, it seems more important that the Chairperson works on a full-time basis, regardless of being an internal or external director.

In order for the 136-year-old Tokyo Gas Group to become a sustainable company, we must keep changing as the environment changes. In my view unless we continue to propel innovation, we cannot succeed in making lasting development. Please look forward to Tokyo Gas as the company which transforms itself to match the changing times.



## Message from an Outside Director

# We will enhance the governance system by each and every one of us playing his or her role

## I was strongly impressed with the determination of Tokyo Gas in its decision to move to a “Company with a Nominating Committee, etc.”

I have attended the Tokyo Gas Board of Directors as an Outside Audit & Supervisory Board Member



Director Outside  
**NOHARA Sawako**

for three years. During that period, the governance system has steadily evolved and appears to have shifted to a monitoring-oriented approach. I have found it easier to check the progress of the Medium-Term Management Plan because the Company has more specifically set key metrics to monitor Medium-Term Management Plan which started in fiscal 2020 and the enhanced KPIs have made it easier to monitor the overall management.

Since fiscal 2019, prompted by the spinoff of the Pipeline Network Division resulting from the liberalization of the nation’s gas business, the reform of the group’s organizational structure had been discussed as an ongoing topic. In the same year, we also began discussions on the reform of the corporate governance system.

At first, some members expressed conservative opinions about the structure of a “Company with a Nominating Committee, etc.” However, I thought that the transition to that structure should not be something to be afraid of as it would not be something totally different. This was partly because I have served as an outside director at two companies other than Tokyo Gas and both companies have adopted the structure of a “Company with a Nominating Committee, etc.” In fact, I had a real-time experience of the transition at one of these companies – from a “Company with Board of Corporate Auditors” to a “Company with a Nominating Committee, etc.”

I also believed that if we were to consider a governance system, it should be a “Company with a Nominating Committee, etc.” as we are in the midst of unprecedented important management reforms by setting forth the Three Challenges (Leading Net-Zero CO<sub>2</sub>, Building a value co-creation ecosystem, and

Transforming the LNG value chain) in our management vision, Compass2030. So when we have decided to consider moving in the direction of a “Company with a Nominating Committee, etc.,” I was strongly impressed and very pleased with determination of Tokyo Gas to make drastic changes not only in the vision and Medium-Term Management Plan, but also in the decision to move to a “Company with a Nominating Committee, etc.”

## I think the enhanced governance system will help make operations and internal systems more advanced

The move to a “Company with a Nominating Committee, etc.” will bring several changes. First, the authority to execute will be further expanded, and, as the Board of Directors changes to a supervisory function as its main function, the difference in roles will become clearer, speeding up the execution.

KPIs and other targets should be more directly linked to individual profit plans, so that executives regularly report on business progress to the Board of Directors, and the Board adequately monitors the progress. When objectives are clearly spelled out, the roles of each side will be more visible. This means, in my view, that each body and committee will play its role, leading to the enhancement of the governance system.

I have been appointed as an outside director since this fiscal year, ending March 2022, and am a member of the Nominating Committee and Compensation Committee. The Nominating Committee, in which outside directors hold the majority of the seats, is empowered to make decisions on the personnel change of executives.

The Committee is required to listen to how the candidates were chosen using personnel systems and evaluation methods that have been chosen to identify any unclear points, propose improvements, and draw conclusions. This may also lead to reviewing how to create career paths to the top management and how to evaluate human resources. As for the Compensation Committee, it is responsible for determining the amount of remuneration for each executive. Here, we will first need to sort out why and how the remuneration has become what it is today. This may also lead to reviewing the compensation system. We see cases like these at many other companies.

By shifting to a more robust governance system, the personnel valuation and compensation systems, which have been promoted by extending the existing internal rules, may be reviewed and replaced with more advanced rules. Putting a positive, constructive spin to actions being taken, Tokyo Gas can overhaul its operations and rules, using the outside directors’ requests and suggestions to more logically sorting out reasons. I believe that it will become easier to implement reforms and make the systems more visible.

It is also crucially important that Tokyo Gas explains clearly and politely to the shareholders that the Company is in the midst of a major management reform undertaking and wants the shareholders’ support and understanding in increasing investment required in the process of this change, as such and understanding that its vision extends beyond the investment phase. I would also like to welcome new shareholders who will be excited about our new vision as an energy company, stated in Compass2030.

## Basic views on corporate governance

To realize continuous growth and increase in our medium- to long-term corporate value, as an “energy frontier corporate group” that focuses on natural gas, the Tokyo Gas Group aims at the realization of comfortable lifestyles and environmentally friendly cities and works to ensure continued development while consistently earning the trust of customers, shareholders, and society.

Based on this philosophy, we aim to clarify management and executive responsibilities and strengthen auditing and monitoring functions with a commitment to management legality, soundness, and transparency.

We endeavor to enhance corporate governance systems by propelling accurate and prompt decision-making, efficient business executions.

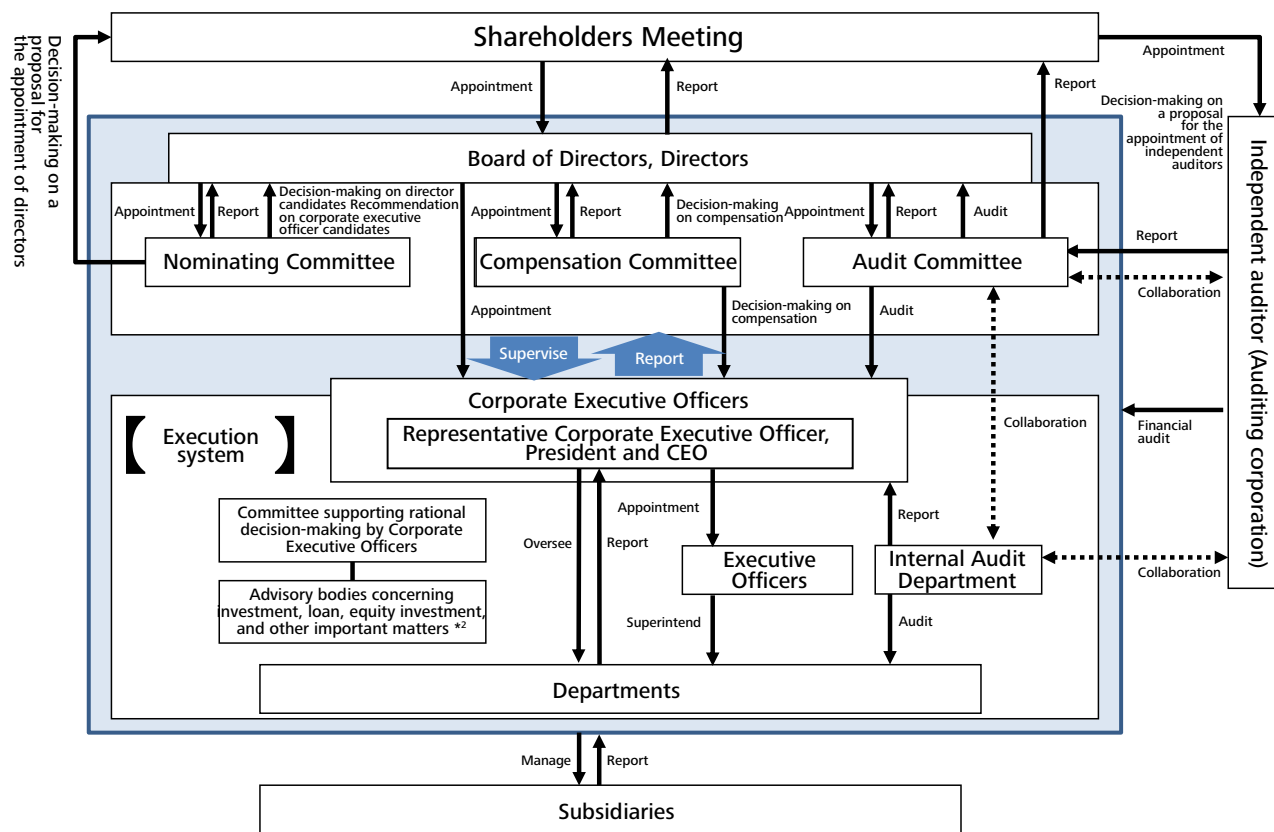
## Overall Corporate Governance Structure

Following approval of the 221st shareholders meeting, Tokyo Gas has made a transition to a “Company with a Nominating Committee, etc.” and has established three committees: a Nominating Committee to determine director candidates and recommend corporate executive officer candidates; an Audit Committee to audit execution of duties by directors and corporate executive officers; and a Compensation Committee to determine remuneration for directors and corporate executive officers.

The Board of Directors determines management policies, supervises execution of duties by corporate executive officers, delegates decision-making concerning important matters for business execution to corporate executive officers, and asks them to report the status of the execution, when needed.

Corporate executive officers are required to contribute to appropriate, prompt decision-making and to ensure efficient business operations by taking up in a committee (generally meeting weekly) that supports the corporate executive officers’ reasonable decision-making matters to be submitted to the Board of Directors and other important managerial matters. Executive officers are assigned responsibility for ensuring prompt business operations by corporate executive officers. Tokyo Gas has thus adopted and established a governance structure that ensures high legality, soundness, and transparency.

### Tokyo Gas Co., Ltd.



## Overview of Corporate Governance System

(As of June 29, 2021)

Number of directors	9	Number of meetings of Board of Directors*1	12
Average age of directors	63.8	Attendance rate of Outside Directors at Board of Directors*1 meetings	100%
Number of Outside Directors	6	Term of office of directors	1 year
Number of independent officers	6	Performance-linked remuneration	Yes
Participation of Outside Directors in determination of remuneration	Yes	Share purchase system to reflect the perspective of shareholders in management	Yes
Participation of Outside Directors in selecting director candidates	Yes		

\*1 Total for the period from June 2020 to May 2021

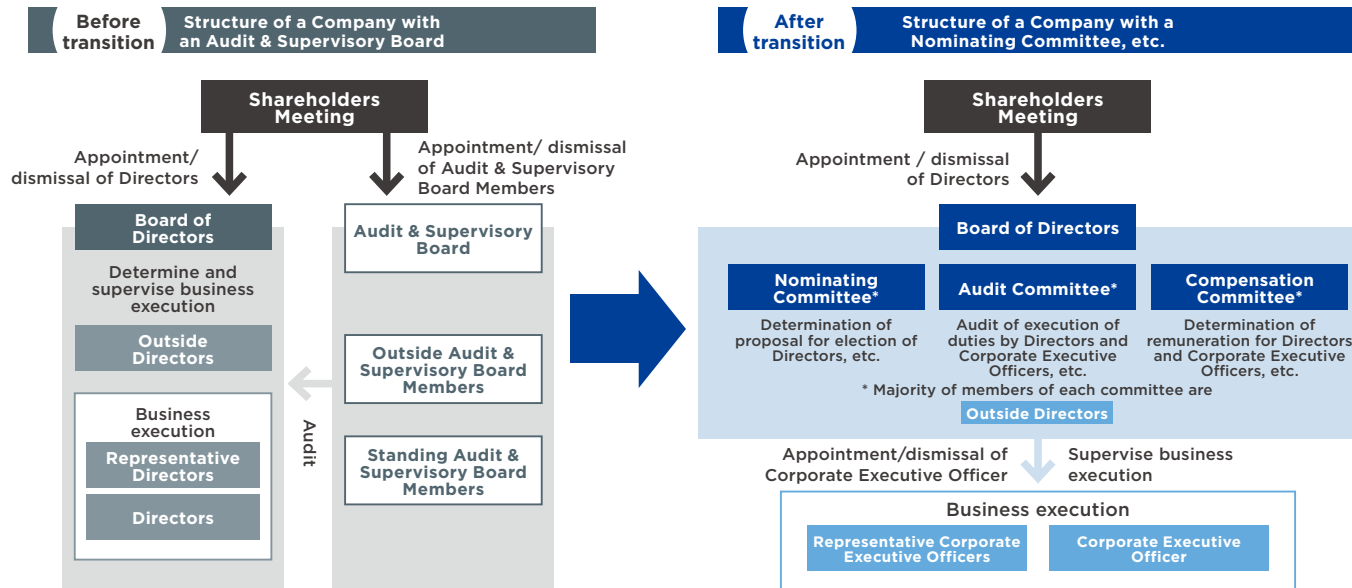
### Investment Evaluation Committee

An advisory body included in \*2

The Investment Evaluation Committee chaired by the Executive Officer in charge of financial affairs evaluates matters that require the evaluation of the significance, economy and risks related to investment evaluates, conducts post-investment follow-up, and reports to Corporate Executive Officers and others concerned.

## Transition to a Company with a Nominating Committee, etc.

In response to perhaps the most drastic changing environment surrounding the Tokyo Gas Group since the company's foundation, we have decided to enhance corporate governance by transitioning to a Company with a Nominating Committee, etc. This was initiated in order to significantly respond to challenge and innovation by the management. The transition in corporate structure is intended to enhance the speed of decision-making and improve the supervisory function of the Board of Directors as it faces the changing environment and tasks of expanding business areas.



## History of Tokyo Gas in enhancing corporate governance

- 2002**
  - Adopted an executive officer system and reduced the number of directors
  - Started appointment of outside directors
- 2005**
  - Established an advisory committee (to establish ad hoc committees concerning nomination and compensation, and to improve transparency)
- 2016**
  - Established the Basic Policy on Corporate Governance
  - Started the evaluation of effectiveness of the Board of Directors
- 2017**
  - Revised the Regulations of the Board of Directors (Orientation toward a monitoring model)
- 2021**
  - Made a transition to a Company with a Nominating Committee, etc. (Established Nominating, Compensation, and Audit Committees with a majority being outside directors)

Note	June 2018	3/8 = 38%
Increase in the ratio of outside directors in the Board	June 2019	4/9 = 44%
	June 2021	6/9 = 66%

### Nominating Committee



The Nominating Committee makes decisions on proposals to the Shareholders Meeting concerning appointments and dismissal of directors and on proposals to the Board of Directors concerning corporate executive officers, among other matters.



Nominating Committee	
Chairperson	SAITO Hitoshi (Outside)
Committee members	TAKAMI Kazunori (Outside)
Committee members	NOHARA Sawako (Outside)
Committee members	HIROSE Michiaki

### Audit Committee



The Audit Committee audits the execution of duties by directors and Corporate Executive Officers, determines audit reports, and also determines agenda items concerning appointment, dismissal, or refusal of reappointment of independent auditors, among other matters.

Audit Committee	
Chairperson	INDO Mami (Outside)
Committee members	EDAHIRO Junko (Outside)
Committee members	ONO Hiromichi (Outside)
Committee members	NAKAJIMA Isao

### Compensation Committee

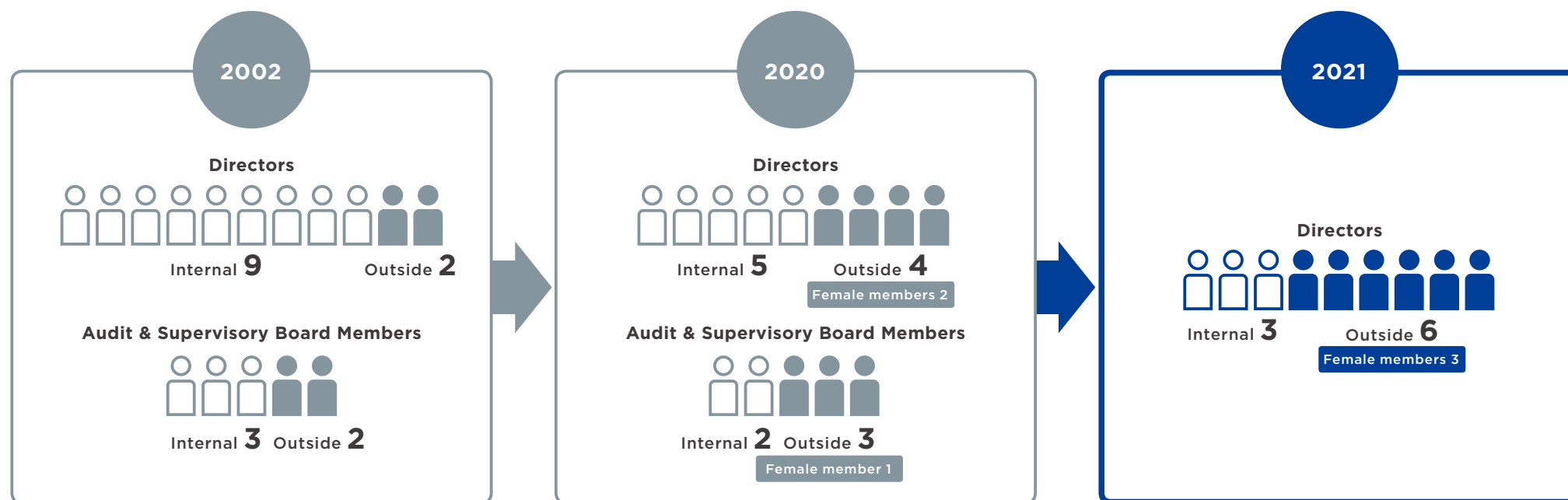


The Compensation Committee sets policy related to remuneration of directors and corporate executive officers, and makes decisions on remuneration of each director and each corporate executive officer, according to the policy, among other activities.

Compensation Committee	
Chairperson	TAKAMI Kazunori (Outside)
Committee members	SAITO Hitoshi (Outside)
Committee members	NOHARA Sawako (Outside)
Committee members	HIROSE Michiaki
Committee members	UCHIDA Takashi

## Enhancement of Governance

### Composition of the Board of Directors



### Role of the Board of Directors

Pursuant to the provisions of the relevant legislation, the Articles of Incorporation, and the Regulations of the Board of Directors, the Board of Directors conducts important decision-making of the Company's management, such as management policy and plans, and supervision of execution of business operations. In addition, the Board of Directors delegates to corporate executive officers a large part of its authority concerning business execution in order to make decisions in an appropriate, prompt manner.

### Management and composition of the Board of Directors

In principle, the Board of Directors meets once a month to decide basic policies of management and to supervise execution of duties by corporate executive officers, among activities. At present, the Board of Directors comprises 9 directors, 6 of whom are outside directors.

### Appointment of Directors

To ensure that the Board of Directors conducts appropriate decision-making and management supervision, persons who are selected as directors are deemed to be individuals who possess abundant experience, in-depth knowledge, and a high level of expertise. Outside directors shall be individuals who have perspectives on matters including corporate management, social and economic trends, and international affairs. They are also required to meet the Company's Independence Standards for Outside Officers. Concerning the selections of nominees for the position of director, the Nominating Committee, a majority of which is comprised of independent outside directors, determines agenda items of the Shareholders Meeting and the reasons for election of the nominees are disclosed in the reference materials for the Shareholders Meeting. Those materials are included in the notice of convocation of the Shareholders Meeting.

## Effectiveness of Board of Directors

### Analysis and Evaluation of Effectiveness of Board of Directors as a Whole

To maintain and enhance the effectiveness of the Board of Directors, we analyzed and evaluated the Board of Directors' effectiveness by holding exchanges of opinions at the meetings of the Board of Directors, using the questionnaire-based self-evaluations completed by the directors as a point of reference.

The effectiveness of the Board of Directors was confirmed to have been further enhanced, mainly because questionnaire-based quantitative evaluations remained satisfactory as before, along with the fact that vigorous discussions were being held through exchanges of opinions at the meetings of the Board of Directors, and that measures such as on-site inspections facilitated the

### Questionnaire

#### Contents of the questionnaire

#### (quantitative and qualitative evaluation)

- Management of meetings of the Board of Directors (composition of members, contents of materials, and time of holding)
- Functions of meetings of the Board of Directors (decision-making for policies, status of monitoring, status of establishment and management of internal control system, and reporting from the execution side)
- Other (offering of workshops, on-site inspections, and other programs for outside officers)
- Free comments

#### Examples of free comments of the questionnaire

- In addition to setting up and reviewing KPIs that are appropriate for monitoring, risks need to be clearly quantified and presented.
- It is important to further improve the system for enabling collection of information indispensable for monitoring.
- Deeper discussions are needed on strategies for achieving Net-Zero CO<sub>2</sub>.

understanding of outside officers on the Company's business operations.

To realize further improvement in the effectiveness of the Board of Directors, it will be necessary for efforts to continue without interruption. To realize further improvement in the effectiveness of the Board of Directors, it will be necessary for efforts to continue without interruption. The evaluation confirmed that, going forward, Directors intended to establish a common recognition on the way the Board of Directors ought to be in terms of its monitoring model and demonstrate its recognition, in addition to continue to carry out initiatives to promote understanding of the Company's business operations.

### Evaluation and comments from the third-party evaluation

- Aggregated results of the questionnaire generally showed high scores for each question item for the current fiscal year as in the previous years. They confirmed that the effectiveness of the Board of Directors was ensured to be at a high level.
- As a company which has made a transition to a Company with a Nominating Committee, etc., how to preserve the effectiveness of the monitoring function of the Board of Directors is important. Directors must establish a common recognition on the way the Board of Directors ought to be in terms of its monitoring model and demonstrate its recognition.

### Policy for Training of Directors

When Directors assume their positions, the Company provides them with training opportunities to help them understand their responsibilities. The Company also provides training courses and other programs to enable Directors to update their knowledge while in office.

The Company periodically provides Outside Directors with information on the Tokyo Gas Group's business, finances, organization, and other matters.



## Officer Remuneration System

The Compensation Committee held on June 29, 2021 resolved a Basic Policy on Officer Remuneration.

### 1. Basic Policy on Officer Remuneration

As a Company with a Nominating Committee, etc., a Compensation Committee has been established as stipulated in the Companies Act, and it selects a chairperson from outside directors, secures objectivity and transparency, and determines remuneration of individual officers (directors and corporate executive officers).

#### (1) Role of officers and officer remuneration

The role assigned to officers is to seek to enhance short-term, medium- and long-term corporate value, and officer remuneration shall serve as an effective incentive for them to perform that role.

#### (2) Level of officer remuneration

The level of officer remuneration shall be suitable for the role, responsibility and performance of the officer, and be in consideration of changes in the business environment, and the level of other companies according to the research of an external specialized institution.

#### (3) Composition of annual remuneration

- Remuneration of officers shall comprise fixed remuneration (basic remuneration) and incentive remuneration (bonus, share-based compensation).

**Basic remuneration** A fixed amount in accordance with the post of each individual is paid as monthly remuneration.

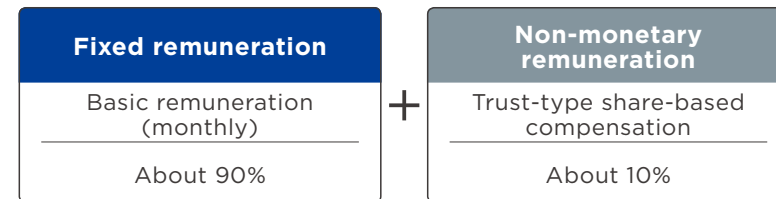
**Bonuses** As a short-term incentive remuneration, a bonus is paid once a year and its amount reflects the evaluation of individual performance against financial and non-financial indicators\* beside the basic amount set by each rank. Indicators are reviewed and selected each year.

**share-based compensation** As a medium- to long-term incentive remuneration, points are provided based on the base amount set by each rank. The stocks are provided based on the number of points at retirement.

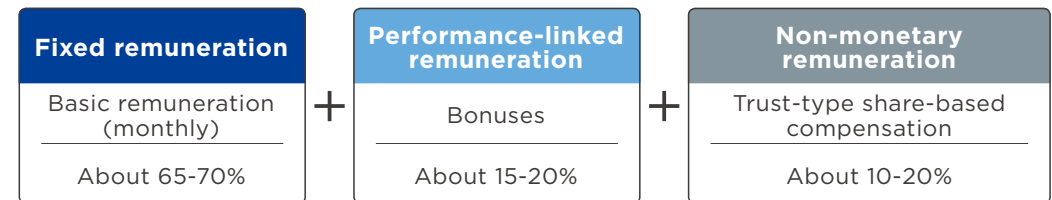
- Remuneration for directors is comprised of basic remuneration and share-based compensation, while remuneration for corporate executive officers (including those who concurrently serve as directors) is comprised of basic remuneration, bonuses, and stock compensation

- The approximate ratios of each type of remuneration for directors are 90% in basic remuneration and 10% in share-based compensation. The approximate ratios for corporate executive officers (including those who concurrently serve as directors) are 65-70% in basic remuneration, 15-20% in bonuses, and 10-20% in share-based compensation.

### Composition of remuneration for directors (internal and outside)



### Composition of remuneration for corporate executive officers



#### \*Adoption of non-financial indicators

The Basic Policy on Officer Remuneration, which was resolved at the Compensation Committee meeting held on June 29, 2021, has incorporated non-financial indicators, in addition to financial indicators, in the evaluation of term performance for bonuses of corporate executive officers. The indicators are to be reviewed each year. The term and those for FY2021 are as follows.

\* Indicators for bonus evaluation for FY2021

■ Financial indicators: Profit attributable to owners of parent; Operating profit + equity method income

■ Non-financial indicators: Contribution to CO<sub>2</sub> emissions reduction; Renewable power source transaction volume; Diversity in human resources; Natural gas transaction volume; Transportation volume; Number of customer accounts



## 2. Introduction of a share-based compensation plan using a trust

The Compensation Committee meeting held on June 29, 2021 resolved to introduce a share-based compensation plan for directors and corporate executive officers with the objective of providing incentives encouraging the enhancement of corporate value. Separately, an introduction of a similar share-based compensation plan for executive officers has also been resolved.

### (1) Overview

The Company has established a share trust (see the "Overview of the trust"). Points are to be granted to officers each year according to their position, and they shall receive company shares based on the points when they retire/resign.

### (2) Target persons

Directors (including outside directors) and corporate executive officers

### (3) Overview of the trust

(The table below includes executive officers.)

Trust period	From August 2021 to August 2024 (tentative)
Amount to be contributed by the Company as funds for acquiring shares	¥461,889,900
Method to acquire shares for the trust	Acquisition via disposal of treasury shares
Number of shares for the trust	224,600 shares

### Press release on the share-based compensation plan

#### 📄 "Notice on the Introduction of a Share-based Compensation Plan" (June 29, 2021)

[https://www.tokyo-gas.co.jp/Press\\_e/20210629-04e.pdf](https://www.tokyo-gas.co.jp/Press_e/20210629-04e.pdf)

#### 📄 "Decisions on Matters related to Share Acquisition for the Share-based Compensation Plan" (July 28, 2021)

<https://www.tokyo-gas.co.jp/news/press/20210728-04.pdf>

## 3. Total Remuneration for Directors and Audit & Supervisory Board Members for FY2020 (Reference)

(Results of the Remuneration System before transition to a Company with a Nominating Committee, etc.)

Classification of officers	Total value of remuneration (¥ million)	Total value of remuneration by type (¥ million)			Number of eligible officers
		Fixed remuneration (Monthly remuneration)	Performance-linked remuneration		
			Monthly remuneration	Bonuses	
Directors (excluding outside directors)	323	241	49	32	6
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board members)	74	74	—	—	2
Outside Directors	45	39	—	6	5
Outside Audit & Supervisory Board Members	35	35	—	—	4

\* The number of officers includes one internal director, one outside director, and one outside Audit & Supervisory Board member who retired upon the conclusion of the 220th Annual Shareholders Meeting.

\* It was resolved that the amount of monthly remuneration of all Directors (including Outside Directors) should be under ¥50 million at the 205th Annual Shareholders Meeting and that the amount of annual bonus for all Directors should be under ¥90 million at the 206th Annual Shareholders Meeting.

\* It was resolved that the amount of monthly remuneration of all Audit & Supervisory Board members (including outside members of the Audit & Supervisory Board) should be under ¥12 million at the 190th Annual Shareholders Meeting.



## Internal Control System

Ensuring the legality, soundness, and transparency of the management based on our Management Philosophy, we strive to clarify responsibilities of management and execution, enhance supervising and auditing functions, and promote accurate and prompt decision-making, efficient execution of business operations, in order to sustainable growth and improvement in medium- to long-term corporate value. In addition, Tokyo Gas and its subsidiaries direct their efforts toward

lasting development by respecting the autonomy of each and sharing the pursuit of total optimization as their common cause.

In order to ensure appropriate business operation of the Tokyo Gas Group, the Basic Policy on Development of Internal Control Systems has been adopted by the Board of Directors and corporate executive officers have accordingly and effectively established the Internal Control Systems and have been operating them.

## Response to “Internal Controls Reporting System”

To comply with the “Internal Control Reporting System” under the Financial Instruments and Exchange Act, Tokyo Gas follows the internal control basic framework presented in Financial Services Agency standards, arranges and administers internal control related to financial reporting, assesses their effectiveness, and improves them as necessary. In the internal control report for the previous consolidated fiscal year prepared following this system, which found

our internal control regarding financial reporting to be effective, the Auditors expressed the opinion that all the material points were represented appropriately.

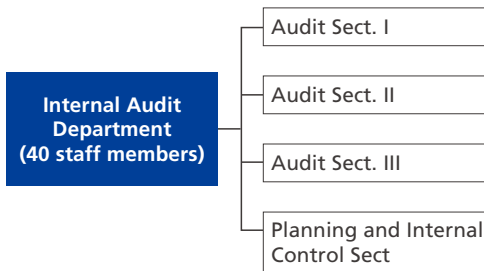
### Overview of Internal Control System

1	2	3	4	5	6	7
System to ensure that officers and employees perform their duties in conformance with laws, the Articles of Incorporation, etc.	System to store and manage information regarding the execution of duties by corporate executive officers	Regulations and other systems on managing the risk of loss of the Group	System to ensure that the performance of duties by corporate executive officers is conducted efficiently	System to ensure appropriateness of business operation by the Group subsidiaries	Items regarding employees assisting with the duties of the Audit Committee	System concerning reporting to the Audit Committee and system to ensure effective auditing by the Audit Committee

### Specific Examples of Internal Control System

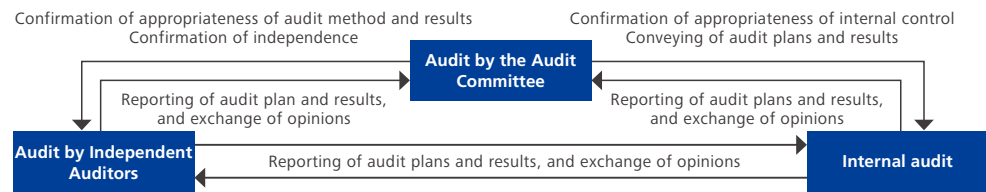
#### Internal Audit Department

The Internal Audit Department of the Tokyo Gas Group has been established to efficiently and effectively audit the status of execution of business operations. The Department reports audit results to the Audit Committee, directors of the audited subsidiaries, and other parties concerned. The Internal Audit Department, an organization for internal audit of the Company, has the objective of conducting effective, expert auditing with its composition and number of staff as shown on the right (as of June 29, 2021).



#### Audit Committee

In addition to the establishment of an organization that enables the Tokyo Gas Group’s officers and employees report to the Audit Committee without delay, numerous actions have been taken to facilitate effective audit activities, including collaboration of the Audit Committee, the Internal Audit Department, and Independent Auditors.



## Compliance

### Compliance Structure

Tokyo Gas has established the Management Ethics Committee chaired by the President and CEO. It discusses at the executive level overall actions for maintaining and improving compliance awareness, monitors the implementation of compliance-related measures, and checks actions to be taken from the next year onward. It issues instructions to make improvement if needed. In response to this, individual divisions and subsidiaries set up compliance committees to carry out inspections and improvements suiting their own operations. The Tokyo Gas Group maintains the Code of

Conduct as the standard for behavior when carrying out duties. We are making continued efforts to ensure the Code of Conduct is known and observed by employees through workplace discussions participated by all employees at their respective workplaces and through rank-specific training sessions on the occasions of their entry and promotion.

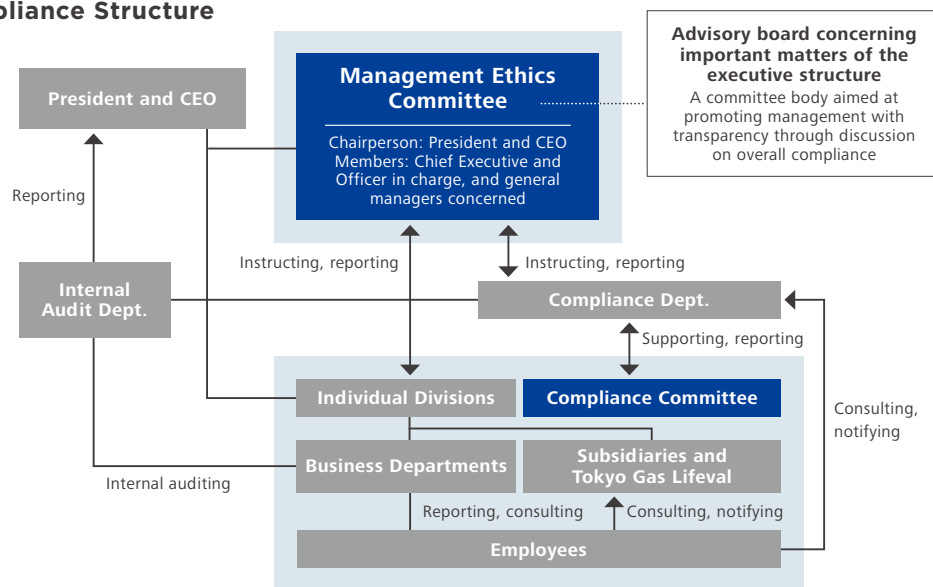
### Compliance Risk Management

We have formulated and implemented escalation rules that encourage any employee finding anything unusual to notify the employee's manager without hesitation and have been effectively operating internal and external consultation desks. We are thereby endeavoring to ensure that compliance-related issues are discovered and resolved at an early stage and our corporate self-regulatory processes functions effectively.

We monitor the effectiveness of Group compliance promotion activities by conducting regular compliance awareness surveys of all employees. The results of these surveys are

reflected in initiatives for the following years. Moreover, the Internal Audit Department conducts internal audits of the Company and its subsidiaries, focusing on potential risks that may materialize and their degree of importance from the viewpoint of strict compliance with laws and regulations, corporate ethics and social norms. The status of improvement concerning any recommendations made as a result of the internal audits is checked in a follow-up audit in the following year to ensure steady improvement in risk management.

### Compliance Structure



### Examples of specific actions

#### Workplace discussions

Each workplace of the Tokyo Gas Group carries out a workshop, mainly led by a person in charge of compliance promotion (21,966 participants in FY2020). Using the awareness building tools based on the Tokyo Gas Group's Code of Conduct, participants learn about the recent trend concerning corporate compliance and discuss how to actually practice the Code of Conduct, which is intended to lead to taking actions.

#### Rank-specific training

Rank-specific training sessions, including those for new employees, are carried out for the Group employees, so as to enhance compliance mindedness. (1,322 participants in FY2020).

#### Legal training

Every year, legal training sessions are carried out for all Group employees with the aim of enhancing understanding of legal knowledge such as that involving the Anti-Monopoly Act, Act against Unjustifiable Premiums and Misleading Representations, and the Subcontract Act, which we are required to comply with (10,600 participants in FY2020). In addition to checking the objectives of laws and regulations, we seek to provide during the training sessions practical information by incorporating interpretation on specific cases\*1 which were disclosed by the Fair Trade Commission and the Consumer Affairs Agency.

\*1: Cartel and abuse of dominant bargaining position (Anti-Monopoly Act), misleading representation and favorable representation (Act against Unjustifiable Premiums and Misleading Representations), etc.

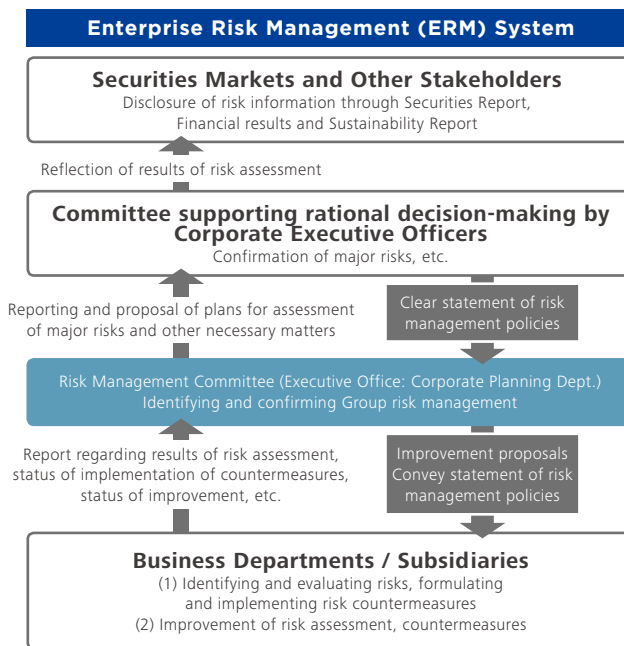
## Risk Management System

In accordance to the Risk Management Regulations which stipulated basic items of the Tokyo Gas Group’s risk management, we have established an enterprise risk management (ERM) system and are using an “ordinary-time response” (to understand risks and device and implement measures against the risks) method, or an “emergency-time response” (to respond when a significant risk emerges) method.

### Ordinary-time response

Our Risk Management Regulations have explicitly stated specific initiatives and major risks at ordinary times and an enterprise risk management (ERM) system has been established to undertake them. The Risk Management Committee was established with the aim of improving the management level of the ERM system. The Committee checks progress regarding the establishment and operational status of the ERM system, including periodic risk assessments. It also reports to a committee that supports the corporate executive officers’ reasonable decision-making.

Under the framework, around 150 Risk Management Promotion Officers are deployed in the business departments of Tokyo Gas and its subsidiaries in order to promote ERM. Each year, we assess risks and the implementation and improvement status of countermeasures. This system facilitates the steady implementation of the ERM-PDCA (Plan-Do-Check-Act) cycle.



### Emergency-time response

Because the company provides public services that comprise a lifeline, for many years it has also had a crisis management system that serves as a response system in case an accident or other risk-related event actually occurs. Specifically, we have formulated Emergency Response Organization Regulations. In case of major crises, including major natural disasters, such as earthquakes, or production or supply disruptions arising from major accidents at pipelines or LNG terminals, as well as spread of highly pathogenic or infectious diseases, terrorism, failures in mission-critical IT systems, and compliance problems, the Emergency Response Organization has been established to respond to the situation immediately in accordance with the Emergency Response Organization Regulations. Periodic training is conducted in relation to response measures against large earthquakes, cyber terrorism, and other major risks. Moreover, the company has also formulated a business continuity plan (BCP) outlining its responses in the event of a major earthquake of the magnitude as assumed by Japan’s Cabinet Office, a major accident disrupting gas supply, a widespread blackout, highly pathogenic or infectious diseases, etc. This plan is in place to reinforce the company’s risk management system.

### Business or other risks which may significantly affect judgment of investors (as of March 31, 2021)

#### 1. Risks associated with accidents, disasters, etc.

- (1) Energy resource procurement difficulties
- (2) Natural disasters
- (3) Accidents and supply impairments accompanying city gas production and supply, and power generation
- (4) Spread of a highly virulent or contagious infections
- (5) Unforeseeable, large-scale power outages
- (6) Problems in securing the safety of city gas and in quality of gas appliances
- (7) Damage caused by rumors arising from a city gas accident of another company

#### 2. Market fluctuation risk

- (1) Fluctuation in market prices and interest rates
- (2) Fluctuation of the electric power market

#### 3. Risks associated with business execution

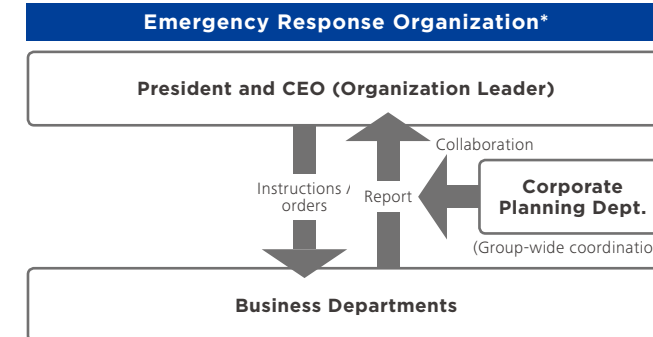
- (1) Risks related to existing businesses
  - a) Decrease in demand caused by intensified competition
  - b) Fluctuation in material prices
  - c) Changes in laws, regulations, and national or local energy policy
  - d) Fluctuation in gas sales volume caused by climate change
  - e) Decrease in existing demand caused by changes in the business environment
  - f) Interruption of telephone services at call centers
  - g) Delay in technology development
- (2) Risks associated with overseas business development
- (3) Delay in development of new markets
- (4) Inability to recover investments

#### 4. Risks related to information management and system operation

- (1) Leakage of personal information
- (2) Shutdown or malfunction of IT systems
- (3) Cyber attacks

#### 5. Risks related to corporate social responsibility

- (1) Compliance violations
- (2) Response to new environmental regulations
- (3) Insufficient customer services
- (4) Insufficient response to human rights issues



\* A department in charge of an executive office is predetermined depending on the type of emergency.

## Board of Directors (As of June 29, 2021)

Director, Chairperson of the Board  
**HIROSE Michiaki**



April 1974 Joined the Company  
June 2009 Director, Managing Executive Officer and in charge of Corporate Planning Dept., Corporate Communications Dept. and Affiliated Companies Dept.  
April 2012 Representative Director, Executive Vice President and Chief Executive of Living Energy Div.  
April 2014 Representative Director, President  
April 2018 Director, Chairperson of the Board

### Reason for appointment

Over the course of his career, HIROSE Michiaki has engaged mainly in planning-related work duties. For four years, from April 2014 until March 2018, he served as President. Since April 2018, as Director and Chairman, he has served as chairman of the Board of Directors. He is highly knowledgeable, and has extensive work experience with the Company.

Director Outside  
**SAITO Hitoshi**



April 1976 Joined Mitsui Fudosan Co., Ltd.  
June 2011 Executive Managing Director and Executive Managing Officer of Mitsui Fudosan Co., Ltd.  
April 2013 Managing Director and Senior Executive Managing Officer of Mitsui Fudosan Co., Ltd.  
April 2015 Managing Director, Senior Executive Managing Officer and Chief Executive of International Div. of Mitsui Fudosan Co., Ltd.  
June 2017 Advisor of Mitsui Fudosan Co., Ltd.  
June 2019 Director of the Company  
June 2020 Retired from Advisor of Mitsui Fudosan Co., Ltd.

### Reason for appointment

Mr. SAITO Hitoshi is expected to use his international perspective acquired from overseas businesses in the real estate industry, as well as his management capabilities, broad outlook and in-depth knowledge gained through a wide range of business development for the Company's management.

### Significant joint responsibilities

Outside Director of GLOBESHIP Corporation

Director  
Representative Corporate Executive Officer, President and CEO  
**UCHIDA Takashi**



April 1979 Joined the Company  
June 2015 Director, Managing Executive Officer and Chief Executive of Energy Resources Business Div.  
April 2016 Representative Director, Executive Vice President and Chief Executive of Residential Sales and Service Div.  
April 2018 Representative Director, President and CEO  
June 2021 Director  
Representative Corporate Executive Officer, President and CEO

### Reason for appointment

In his career, UCHIDA Takashi has engaged mainly in planning, resources and overseas business-related work duties. Since April 2018, he has served as President and CEO, with ultimate responsibility for the execution of duties within the company. He is highly knowledgeable, and has extensive work experience with the Company.

Director Outside  
**TAKAMI Kazunori**



April 1978 Joined Matsushita Electric Industrial Co., Ltd. (Current Panasonic Corporation)  
June 2009 Managing Director of Panasonic Corporation  
April 2012 Representative Director, Senior Managing Executive officer and President of Appliances Company of Panasonic Corporation  
April 2015 Representative Director, Executive Vice President and in charge of Japan region, Customer Satisfaction, and Design of Panasonic Corporation  
June 2017 Corporate Advisor of Panasonic Corporation  
March 2018 Retired from Corporate Advisor of Panasonic Corporation  
June 2019 Director of the Company

### Reason for appointment

Mr. TAKAMI Kazunori is expected to use his management capabilities, broad outlook and in-depth knowledge acquired through a wide range of business development in the electrical industry for the Company's management.

### Significant joint responsibilities

Outside Director of Tokyo FM Broadcasting Co., Ltd.  
Outside Director of Nojima Corporation  
Outside Director of FUJITA KANKO INC.

Director  
**NAKAJIMA Isao**



April 1982 Joined the Company  
April 2015 Senior Executive Officer, CFO and in charge of Finance Dept., Accounting Dept., Purchasing Dept. and Real Estate Management Dept.  
April 2018 Senior Managing Executive Officer, CFO and in charge of Finance Dept., Accounting Dept., Personnel Dept. and Purchasing Dept.  
March 2019 Retired as Senior Managing Executive Officer  
June 2019 Audit & Supervisory Board Member of the Company  
June 2021 Retired from Audit & Supervisory Board Member of the Company  
June 2021 Director of the Company

### Reason for appointment

NAKAJIMA Isao is highly knowledgeable in financial affairs and accounting, and has extensive work experience with the Company. He has carried out financial and accounting operations and has served as Senior Managing Executive Officer.

## Corporate Executive Officers

Representative Corporate Executive Officer, President and CEO	UCHIDA Takashi	
Representative Corporate Executive Officers, Vice Presidents	NOHATA Kunio	Chief Executive of Pipeline Network Company
	SAWADA Satoru	Chief Executive of Residential Sales and Service Div. In charge of Tokyo 2020 Olympic and Paralympic Dept.
Senior Managing Corporate Executive Officer	SASAYAMA Shinichi	Chief Executive of Asset Optimization & Trading Div.

## Executive Officers

Senior Managing Executive Officers	HAYAKAWA Koki	The Japan Gas Association
	KISHINO Hiroshi	In charge of Corporate Planning Dept., Group Formation Reforms Project Dept., and Business Development Project Dept.
	KIMOTO Kentaro	Chief Executive of Digital Innovation Div.
Managing Executive Officers	SHIGITANI Ayumi	President, Representative Director of TOKYO GAS INET CORP.
	HIGO Takashi	Chief Executive of Energy Solution Div.
	HOSOYA Isao	Chief Executive of Gas & Power Div., in charge of Sustainability Dept.
	TANAZAWA Satoshi	Chief Executive of Global Business Div.
	OGAWA Shinsuke	In charge of Personnel Dept., Secretary Dept., General Administration Dept., Corporate Communications Dept., and Internal Audit Dept.
	SAITO Akihiro	Chief Executive of Administration Div., Pipeline Network Company.
Executive Officers	KONISHI Yasuhiro	President, Representative Director of Tokyo Gas Engineering Solutions Corporation
	SATO Hirofumi	CFO, In charge of Financial Management Dept., Accounting Dept., Purchasing Dept., and Compliance Dept.
	YOSHIOKA Tomoyuki, KADO Masayuki, ENDO Yo, SUGESAWA Nobuhiro, TSUJI Eito, KURIMOTO Kazuya, IMAI Tomoo, KONISHI Masako, TAKEUCHI Atsunori, OKUMURA Eigo, MINAMI Taku, YAKABE Hisataka, OHASHI Taro, NAKAMURA Hajime	

### Director Outside EDAHIRO Junko



April 2003 Representative Director of Edahiroba Inc. (Current e's Inc.)  
 May 2006 Director and Chairperson of Change Agent Inc.  
 August 2018 Professor of Shizenkan University Graduate School of Leadership & Innovation  
 June 2019 Director of the Company  
 October 2019 Representative Director of Shimokawa Seeds K.K.  
 September 2020 President of For Future Company ( Miraisozobu in Japanese)

**Reason for appointment** Ms. EDAHIRO Junko is expected to use her experience as a corporate manager, advanced specialization related to the environment and in-depth knowledge as an environmental journalist for the Company's management.

**Significant joint responsibilities** Representative Director of e's Inc.  
 Director and Chairperson of Change Agent Inc.  
 Professor of Shizenkan University Graduate School of Leadership & Innovation  
 Representative Director of Shimokawa Seeds K.K.  
 President of For Future Company ( Miraisozobu in Japanese)

### Director Outside NOHARA Sawako



December 1988 Joined Life Science Institute Co., Ltd.  
 July 1995 Joined InfoCom Research, Inc.  
 December 2001 President and Representative Director of IPSe Marketing, Inc.  
 June 2018 Audit & Supervisory Board Member of the Company  
 April 2020 Project Professor, Graduate School of Media and Governance, Keio University  
 June 2021 Retired from Audit & Supervisory Board Member of the Company  
 June 2021 Director of the Company

**Reason for appointment** Ms. NOHARA Sawako is highly knowledgeable, and possesses corporate management experience and high-level IT-related expertise. We hope that she will make use of these qualities for the Company's management.

**Significant joint responsibilities** President and Representative Director of IPSe Marketing, Inc.  
 Outside Director of DAIICHI SANKYO COMPANY, LIMITED  
 Outside Director of Keikyu Corporation

### Director Outside INDO Mami



April 1985 Joined Daiwa Securities Co. Ltd.  
 April 2016 Senior Managing Director of Daiwa Institute of Research Ltd.  
 December 2016 Retired from Senior Managing Director of Daiwa Institute of Research Ltd.  
 December 2016 Commissioner of Securities and Exchange Surveillance Commission  
 December 2019 Retired from Commissioner of Securities and Exchange Surveillance Commission  
 June 2020 Director of the Company

**Reason for appointment** Ms. INDO Mami is expected to use her in-depth experience as analyst and consultant and in other areas related to corporate management in the financial sector as well as her extensive perspectives and advanced knowledge for the Company's management.

**Significant joint responsibilities** External Audit & Supervisory Board Member of AIG Japan Holdings KK  
 Outside Director of FUJITEC CO., LTD.  
 Outside Director of Ajinomoto Co., Inc.

### Director Outside ONO Hiromichi



April 1979 Joined Ajinomoto Co., Inc.  
 June 2011 Member of the Board & Corporate Vice President in charge of Finance and Purchasing  
 April 2013 Member of the Investment Committee of Government Pension Investment Fund  
 June 2017 Retired from Member of the Board of Ajinomoto Co., Inc.  
 June 2017 Retired from Member of the Investment Committee of Government Pension Investment Fund  
 June 2020 Audit & Supervisory Board Member of the Company  
 June 2021 Retired from Audit & Supervisory Board Member of the Company  
 June 2021 Director of the Company

**Reason for appointment** Mr. ONO Hiromichi possesses a high level of experience in business administration and knowledge in finance and accounting. We hope that he will make use of these qualities for the Company's management.

**Significant joint responsibilities** Outside Director of Mebuki Financial Group, Inc.