

Last Update: December, 19, 2023**NIPPON GAS Co., Ltd.**

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The corporate governance of NIPPON GAS Co., Ltd. is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

NIPPON GAS Co., Ltd. (the “Company”) views corporate governance as a system to achieve the sustainable enhancement of its corporate value and to make the system function. The Company believes that management with a resolution to discard what we have achieved and an intention to create change while ensuring management discipline will lead to the enhancement of corporate value, and it has developed the governance system as a mechanism to achieve this goal.

For the medium- to long-term enhancement of corporate value, the relationship of trust with all stakeholders including shareholders, investors, customers, business partners, employees and local communities is essential. The Company seeks to interactively communicate with the stakeholders based on its management philosophy. For constructive dialogues with shareholders and investors, the Company has developed a system to allow the top executive and other officers to actively participate in the dialogues, while the department in charge of investor relations will respond to individual interviews as a contact. Useful opinions acquired through dialogues with shareholders and investors are shared by the Board of Directors and discussed with the Board members.

<Management Philosophy>

(1) Contributing to Local Communities

Support lives that are more comfortable for our customers by guaranteeing safe, reliable and appropriately priced energy with a small environmental footprint through supply methods optimized for local communities, and contribute to environmental protection and disaster preparedness efforts in those communities. Furthermore, as a member of local communities, we take an active role in improving their value, and we believe that by fulfilling our tax obligations, we are also contributing to society.

(2) Aiming for Sustainable Corporate Growth

We believe that contributing to local communities and growing our customer base reinforce our business foundation, and we are working hard to improve long-term corporate value by ensuring reasonable profits

and making efficient investments. Furthermore, we are striving to improve shareholder value through continual and stable dividends, accompanied by a strong internal control system.

(3) Holding Human Resources in High Regard

We believe that human resources, including our own employees, are crucial assets supporting our corporation. Operating in a manner that enables us to maximize the potential of our employees, so that we can offer services that are tailor-made for our customers, is essential to sustainable corporate growth. The happiness of our employees, business partners, and their families is the essential underpinning therein, and we aim to further improve it through our business efforts.

Based on the management philosophy, the Company established a framework and an operation policy to achieve the medium- to long-term enhancement of corporate value in “Corporate Governance Guidelines” (the “Guidelines”).

Reasons for Non-compliance with the Principles of the Corporate Governance Code

[Supplementary Principle 4-1-③] (Succession Plan of the Chief Executive Officer, etc.)

[Supplementary Principle 4-3-②③] (Objective, Timely and Transparent Procedures for Appointment and Dismissal of CEO)

The ESG Management Promotion Committee shall submit a proposal for the CEO’s successor to the Board of Directors by providing an explanation of reasons for the proposal, and the Board of Directors shall approve the proposal after deliberation. The Company continues to regard the development of the appointment and dismissal process for the Representative Director, Chief Executive Officer, including the formulation and operation of a successor plan as an important examination issue. The Company shall further examine the system and standards for the successor plan (including the cultivation of the successor) in the ESG Management Promotion Committee (mentioned below).

Disclosure Based on the Principles of the Corporate Governance Code

[Principle 1-4] (Cross Shareholding)

The Company drastically renewed its cross shareholdings policy from the fiscal year ended March 31, 2017, until the end of January 2022. During that period the Company eliminated all cross shareholdings, including those held by other companies

① Elimination of other companies' stocks held by the Company (cross shareholding)

The Company undertook a review of its cross shareholdings, in the fiscal year ended March 31, 2017, and began dissolving cross shareholdings, mainly with financial institutions in which the Company had a large balance of holdings. From the fiscal year ended March 31, 2021, the Company also began terminating its cross shareholdings in gas equipment-related companies, which are strongly related to its energy business, and eliminated all cross shareholdings by the end of January 2022. As a result, the Company sold stocks in 18

companies over the five years from the fiscal year ended March 31, 2018 to the fiscal year ended March 31, 2022.

② Elimination of the Company's stocks held by other companies (cross shareholding)

The Company also actively encouraged other companies (business partners) to end their cross shareholdings of the Company's stock, and they agreed with the policy and agreed to eliminate their cross shareholdings. The Company began eliminating the shares from financial institutions and other business partners, and from the fiscal year ended March 31, 2021, gas equipment manufacturers have been selling their shares, and by the end of January 2022, the Company eliminated all of its shares held by other companies as cross shareholdings.

During the past 5 years from the fiscal year ended March 31, 2018 to the fiscal year ended March 31, 2022, approximately 36 million (*1) of NICIGAS' stocks owned by counterparties, which is equivalent to one third of its issued shares, were sold. Consequently, the portion of tradable shares (*2) is raised by more than 20%.

(*1) The Company conducted a three-for-one share split of its ordinary stock on April 1, 2021. The said number of shares is after the share split, excluding the treasury stock.

(*2) Tradable shares after reviewing the definition at "Development of Listing Rules for Cash Equity Market Restructuring (second set of revisions)".

For the Company's policy for cross shareholding, refer to Article 7(Cross shareholding) of the Guidelines.

[Principle 1-7] (Related Party Transactions)

Currently, there is no transaction between the Company and its Officers.

For the Company's policy for related party transactions, refer to Article 10 (Related party transactions) of the Guidelines.

[Principle 2-3] (Sustainability Issues, Including Social and Environmental Matters)

[Supplementary Principle 2-3-①] (Initiatives for sustainability issues)

The Company's mission is contributing to local communities through Energy. The Company's policy is to provide a system for optimal energy use to the communities to enhance corporate value over the medium- to long-term, and to solve social, environmental, and other sustainability issues while providing safe, secure, and stable energy to its customers. Long-term management strategies and management plans based on the perspectives of sustainability and ESG management, as well as the progress and challenges of ESG management initiatives, are discussed by the ESG Management Promotion Committee, an advisory committee to the Board of Directors, and the contents are reported to the Board of Directors for final policy decisions on initiatives.

●The Group will promote the following initiatives to improve corporate value over the medium- to long-term and CO₂ reduction while addressing sustainability issues.

1) Energy Solution: The Company will evolve its business towards proposing the optimal use of energy in each household and local community. The Company will provide customers with gas and electricity as a package,

and will promote the use of hybrid water heaters and distributed energy resources (DER) such as solar power generation, storage batteries and EV chargers in each household to achieve optimal and resilient energy use for the entire community at large.

2) Infrastructure Sharing (Platform Business): The Company will share its highly efficient operating framework, infrastructure, human resources, etc., through DX across the industry. Its LP gas filling and delivery operations have achieved a 50% reduction in costs and CO₂ emissions compared with other companies. The Company intends to share its operation across the industry, thereby reducing CO₂ emissions on an industry-wide scale. Space Hotaru, smart gas meters, replaces manual meter reading by people and allows real-time monitoring of the remaining gas level in cylinders, thereby improving delivery efficiency and helping alleviate labor shortages.

●With regard to issues that will have a significant impact on its corporate value over the medium- to long-term, after a resolution by the Board of Directors the Company established five material issues (materiality) and are strengthening its efforts to address each of them.

The materiality of the Group: (1) building a decarbonized society, (2) building a fair, equitable society, (3) building foundations for local communities, (4) developing human capital and promoting diversity, and (5) reinforcing of governance. (Risks and opportunities associated with each issue are disclosed in the "2021-22 Integrated Report").

*For the details and the status of information disclosure regarding these efforts, please refer to Principle 3-1 (Appropriate Information Disclosure and Ensuring of Transparency) below.

[Principle 2-4] (Ensuring Diversity, Including the Active Participation of Women)

[Supplementary Principle 2-4-①] (Ensuring diversity in promotion to core human resources, etc.)

In order to respond to the diversifying needs of the local community, improve corporate value, and realize sustainable growth of the Company, the Company considers it important that each member of its diverse workforce independently thinks and takes on challenges, and contributes to the evolution of the Company through in-depth discussions from different perspectives while complementing each other. With this approach, the Company is focusing its efforts on creating an environment in which individuals with different experiences, skills and attributes, such as gender, age, nationality, new graduates and mid-career employees, and academic background, can apply their special characteristics with motivation and maximize their abilities and individualities. In terms of promotion of core personnel, the Company fairly evaluates each person's willingness to take on challenges, abilities, and performance, and promotes them to senior positions based on such evaluations.

(1) Career development for women :

The Company believes that restrictions on opportunities based on gender hinder the improvement of corporate value. Therefore, the Company actively promotes the participation of women. As the Company's main business involves the transportation of heavy LP gas cylinders, male employees make up the majority of its workforce. However, with the expansion of the Company's business to include New City Gas and Electricity operations, as

well as the implementation of DX for more efficient work processes, women are increasingly participating in various roles such as sales, gas safety inspectors, delivery personnel, and plant workers. Even in the Company's administrative departments, the percentage of women in leadership positions is gradually increasing. This includes the Human Resource Department General Manager and the Financial Department General Manager, both of whom are Executive Officers. The proportion of women in management positions at the Company's headquarters is currently 20%. As of the end of March 2023, the overall proportion of female employees in the entire Group (including contract and part-time workers) is approximately 21%, and the proportion of female managers is approximately 4%. The Company has set various indicators (KPI) and target, and through women's career development training and other initiatives, it is actively promoting the professional development of women, including self-development and skill improvement. The Company is also encouraging the active participation of women and driving their ability-based advancement within the Company through the creation of positions.

KPI	Target	Progress (end of March 2023)
The ratio of women in managerial positions of the Company	10.0% until the end of March 2026	approximately 4%
The ratio of female employees of the Company	23.0% until the end of March 2026	approximately 21%

(2) Career development for foreign nationals :

As of the end of March 2023, there were 8 foreign nationals working in the Company. In light of the diversification of local communities (including increasing the numbers of foreign nationals) and expanding partnerships with foreign companies, the Company has a policy of increasing opportunities for their active participation in the workplace and assigning them to managerial positions according to their abilities.

(3)Active deployment of mid-career employees :

The ratio of mid-career employees in managerial positions in the Company was approximately 52% (as of the end of March 2023). The Company has a policy to positively hire persons who have skills and abilities and are willing to take on challenges towards its corporate value improvement in the future. To the success of mid-career hires, the Company promotes them fairly to senior positions based on their skills and abilities, and provides support for mid-career sales personnel to acquire qualifications and skills.

The Company has introduced a variety of work styles so that each employee can maximize his or her own value by working flexibly according to his or her abilities, lifestyle, and individual life goals and stages. The Company has introduced flexible work styles, such as shortened working hours, flexible work hours, hourly paid leave system, secondary employment, maternity and childcare leave, and remote work. In the fiscal year ended in March 2023, the ratio of male employees taking childcare leave was 36.1%. The Company has set the

target of 50.0% by March 2026. The Company is committed to creating an environment where individuals can fully demonstrate their abilities and personalities, and it believes that this will contribute to the enhancement of its corporate value.

*For the status of information disclosure regarding these efforts, please refer to Principle 3-1 (Appropriate Information Disclosure and Ensuring of Transparency) below.

[Principle 2-6] (Performance of Functions as Asset Owner of Corporate Pensions)

The Company does not adopt a corporate pension system and fall under an asset owner of corporate pension. For the Company's policy for Performance of Functions as Asset Owner of Corporate Pensions, refer to Article 11 (Performance of functions as asset owner of corporate pensions) of the Guidelines.

[Principle 3-1] (Appropriate Information Disclosure and Ensuring of Transparency)

[Supplementary Principle 3-1-③] (Initiatives on sustainability, etc.)

The Company conducts the independently minded transmission of information by making the following disclosures.

- (1) The management philosophy, management strategies and management plans are disclosed and explained in the Company's website, integrated reports, materials for general meetings of shareholders and business strategy meetings, etc.
 - Management philosophy: "Management Philosophy" on the Company's website
(URL: <https://www.nichigas.co.jp/en/corporate/philosophy>)
 - Management strategies and management plans: "CEO Message" on the Company's website
(URL: <https://www.nichigas.co.jp/en/corporate/message>)
 - Integrated reports (URL: <https://www.nichigas.co.jp/en/ir/library/integrated-report>)
 - Business Strategy Meeting (URL: <https://www.nichigas.co.jp/en/ir/library/meeting>)
- (2) For the basic views and policies for corporate governance, refer to "1. Basic Views" above and the Guidelines attached.
- (3) Refer to Article 22 (Policies and procedures for determining remuneration for Directors, etc.) of the Guidelines.
- (4) Refer to Article 21 (Policies and procedures for appointment and dismissal of Directors, etc. and nomination of candidates for Directors and Corporate Auditors) of the Guidelines.
- (5) Career backgrounds of candidates for individual directors and corporate auditors and reasons for appointment of candidates for Outside Directors and Outside Corporate Auditors are disclosed in the Notice of Convocation of the general meeting of shareholders.

The Notice of Convocation the 69th Ordinary General Meeting of Shareholders is posted in Stock Information on the Company's website (URL: <https://www.nichigas.co.jp/en/ir/stock/meeting>).

The Company actively promotes information disclosure regarding various sustainability initiatives, including consideration for environmental issues such as TCFD (Task Force on Climate-related Financial Disclosures), respect for human rights, consideration for employee health and working conditions, fair and appropriate treatment, fair and appropriate dealings with business partners, crisis management for natural disasters, investment in human capital, and ensuring diversity.

- Climate change initiatives (TCFD, etc.)

The Company recognizes climate change as a significant management challenge for sustainable growth, actively discloses financial information related to climate change, and strengthens its efforts to reduce CO₂ emissions from the standpoint of a company responsible for last-one-mile delivery. The Company aims to evolve its business model into Energy Solutions that propose optimal energy usage to its customers and reduce industry-wide CO₂ emissions through partnerships with other companies, thereby enhancing medium- to long-term corporate value and striving for net-zero CO₂ emissions by 2050.

The approach to climate change is communicated based on the TCFD framework. In its "2021-22 Integrated Report," the Company identifies risks and opportunities resulting from changes in the business environment through scenario analysis, and discloses its strategies to address climate change while enhancing its corporate value. In March 2023, it expressed its endorsement of the TCFD.

- Respect for human rights

Based on the recognition that respect for human rights is essential for the continuation and growth of its business over the medium- to long-term, the Company manages the operations with consideration for the human rights of each stakeholder in the value chain in accordance with norms such as the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights, and the Global Compact's Principles on Human Rights. Details of its efforts to address human rights issues for each stakeholder are disclosed as appropriate in the Integrated Report and other documents.

- Investments in human capital

The Company believes that the driving force for the medium- to long-term corporate growth is the ability of each and the Group every employee to respond to changes in the internal and external environment and to continue to take on new challenges. In anticipation of changes in the energy industry, such as the transition to a decarbonized society and a regionally decentralized society, the Company has shifted from the conventional business model of purchasing and selling gas and electricity to (1) contributing to new local communities through Energy Solutions, and (2) aiming for industry-wide sharing of highly efficient infrastructure through DX (NICIGAS 3.0). Toward this new challenge, the Company aims to secure new skills throughout its Group and enhance to the utmost its human capital to maximize corporate value. The Group will focus on the optimal use of energy/solution proposal capabilities, Platform/BtoB sales capabilities, and the development of further expertise in DX/digital. The required skills will be secured through each of the following initiatives: i) talent reallocation, ii) collaboration with external partners, and iii) retraining (reskilling). The design and

implementation of the talent strategy, as well as the progress made, are discussed in the ESG Management Promotion Committee and approved by the Board of Directors. Details of these initiatives are disclosed as appropriate in the Integrated Report and other documents.

- Ensuring diversity

The Company is promoting the disclosure of information on its approach to ensuring diversity, measurable goals, and policies for human resource development and internal environment development to enhance diversity, as well as the status of implementation of these policies. Details of these efforts are disclosed in the integrated report, [Principle 2-4] (Ensuring Diversity, Including the Active Participation of Women) and [Supplementary Principle 2-4-①] (Ensuring diversity in promotion to core human resources, etc.)

[Supplementary Principle 4-1-①] (Roles and Responsibilities of the Board of Directors)

Refer to Article 15 (Roles and responsibilities of the Board of Directors) of the Guidelines.

[Supplementary Principle 4-2-②] (Roles and Responsibilities of the Board of Directors)

The Company's approach to sustainability is discussed by the ESG Management Promotion Committee (see below), and a basic policy is formulated by the Board of Directors. The details of its initiatives are explained in the Integrated Report and at ESG briefings and IR meetings. The Board of Directors also oversees the allocation of management resources and the formulation and implementation of business strategies aimed at improving corporate value over the medium- to long-term.

[Supplementary Principle 4-3-④] (Roles and Responsibilities of the Board of Directors)

Under Internal Control System Committee, the Company has organized Group Risk Management Committee, Group Compliance Committee, Information Disclosure Committee, and Internal Control Working Group, as part of its initiatives to build internal control systems and risk management systems encompassing the entire Group. The legal department is responsible for establishing and operating the internal control systems with regular advice and guidance from directors and corporate auditors, including external members. In addition, the Audit Office in charge of the Company's internal audits reports to the Board of Directors (including corporate auditors), on a timely and accurate manner on the status of internal audits regarding the development and operational status of internal control systems, thereby building a framework that enables the Board of Directors to oversee the internal control systems.

[Principle 4-8] (Effective Use of Independent Outside Directors)

Of the six directors of the Company, two are independent Outside Directors. To achieve sustained growth and improvements in corporate value over the medium- to long- term, the Company considers it important, from a managerial perspective, that Outside Directors express their opinions and encourage lively discussions at meetings of the Board of Directors, utilizing their expertise and experiences from standpoints independent of the Company. Two Outside Directors of the Company are fully qualified to fulfill roles and responsibilities that

contribute towards sustained growth and corporate value improvement of the Company, leading to more active discussions at the Board of Directors meetings. The careers and skills of Outside Directors is posted in “Notice of the 69th Ordinary General Meeting of Shareholders”

(URL : <https://www.nichigas.co.jp/en/ir/stock/meeting>).

[Principle 4-9] (Criteria for Judgement of Independence of Independent Outside Directors and Their Qualifications)

The Company’s criteria for judgment of independence of independent Outside Directors are governed by the independence criteria established by the Tokyo Stock Exchange. In addition, the Company emphasizes active discussions at the meetings of the Board of Directors. The Company has appointed Mr. Tsuyoshi Yamada, who possesses in-depth knowledge of commercial code, companies act, and law related to financial, and also specializes in the nature of dialogue shareholders, and Ms. Eriko Satonaka, who has expertise in human resources, labor relations, and talent strategy planning within operating companies, as Independent Outside Directors. Furthermore, Mr. Katsuhisa Nakashima, a certified public accountant with extensive experience in auditing, financial expertise, and managerial experience, and Mr. Takao Orihara, who has served as a Director mainly in the financial department of Nomura Real Estate Holdings and Nomura Real Estate Development, besides holding positions as a Director (audit & supervisory committee member) and corporate auditor at Nomura Real Estate Holdings Inc., thus bringing both executive and auditing experience, have been appointed as independent Outside Corporate Auditors.

[Supplementary Principle 4-10-①] (Establishment of an Advisory Committee where Independent Outside Directors are the Majority Members)

The Company established an ESG Management Promotion Committee as an advisory committee to the Board of Directors. The Committee consists of a majority of Outside Officers, and the Committee Chair is also an Outside Director. The Committee is responsible for advising the Board of Directors on the nomination and compensation of senior management and executives.

- The Committee will further engage in discussions about the nomination of the CEO and others and succession plans.
- The Committee consists of 2 Outside Directors (Mr. Tsuyoshi Yamada, Ms. Eriko Satonaka), 2 Directors (Mr. Kunihiro Kashiwaya, Representative Director, Chief Executive Officer, Mr. Daijo Watanabe, Representative Director, Senior Managing Executive Officer) and 1 Outside Corporate Auditor (Mr. Takao Orihara). The Company considers that the Committee is independent because a majority of its members are Outside Officers and because the Committee is chaired by an Outside Director (Mr. Tsuyoshi Yamada).
- The Committee deliberates on the following matters based on inquiries from the Board of Directors and reports inquiries from the Board of Directors.

(1) Important draft of personnel appointment for directors, executive officers, and general managers

- (2) Matters related to the selection of candidates for the top managements positions
- (3) Compensation and remuneration scheme for directors and executive officers
- (4) Matters regarding corporate governance enhancement towards sustained growth (governance system, etc.)
- (5) Basic matters regarding the Group's policy, strategy, plan and measures for promoting ESG-related matters in the Group
- (6) Matters regarding business activities that takes into account decarbonization and other sustainability initiatives
- (7) Matters regarding business activities that contribute to society
- (8) Other matters about which the Board of Directors inquires

[Supplementary Principle 4-11-①] (Views on the Structure of the Board of Directors and the Board of Corporate Auditors)

44% of the Company's Board members (including the corporate auditors) are Outside Directors and Outside Corporate Auditors. The Company assigns as Directors and Corporate Auditors individuals with the necessary skills (a wealth of experience and high levels of knowledge and expertise) in order to decide flexibly on company-wide strategies and supervise of business execution, and the Company will enhance the medium- to long-term corporate value of the Company.

The items in the skills matrix are reviewed accordingly to reflect the skills required to improve the Company's corporate value over the medium- to long-term. Independent Outside Directors includes a person with experience in management of other company.

■ The skill matrix of Directors and Corporate Auditors

↓ ◎ : Main skills ○ : Other skills

Five internal members and four outside members	Gender	Management transformation for the next generation	Experience in the industry	DX strategy, technology	Financial, accounting, legal, risk management	Environment (initiatives for decarbonization)	Social (human resources strategy)	Governance
Shinji Wada , Chairman, Director, Executive Officer	Male	◎	◎	◎	○	○		◎
Kunihiko Kashiwaya , Representative Director, Chief Executive Officer	Male	◎		○	◎	◎	○	◎
Daijo Watanabe , Representative Director, Senior Managing Executive Officer	Male	◎	◎		◎	○	○	◎
Keiichi Yoshida , Representative Director, Senior Managing Executive Officer	Male	◎		○	○	◎	◎	◎
Tsuyoshi Yamada , Director (Outside)	Male	○		○	◎			◎
Eriko Satonaka , Director (Outside)	Female						◎	○
Kenji Manaka , Full-time Corporate Auditor	Male		○		○		○	◎
Katsuhisa Nakashima , Corporate Auditor (Outside)	Male				◎			○
Takao Orihara , Corporate Auditor (Outside)	Male				◎			◎

For roles and responsibilities of the Board of Directors, refer to Article 15 (Roles and responsibilities of the Board of Directors) of the Guidelines.

[Supplementary Principle 4-11-②] (Directors' and Corporate Auditors' Concurrent Positions Held at Other Companies)

The Company discloses concurrent positions of Directors and Corporate Auditors at other listed companies in the Notice of Convocation the General Meeting of shareholders and annual securities reports, etc. Given that the number of companies where they hold concurrent positions remains in a reasonable range, the Company has judged that the holding of concurrent positions will not cause any issues in their execution of duties as an officer of the Company.

[Supplementary Principle 4-11-③] (Overview of Analysis and Evaluation Results of the Effectiveness of the Board of Directors as a Whole)

○Regarding the evaluation of each Director in the fiscal year ended March 31, 2023, the Company received an assessment from independent experts (evaluators) that the Directors have met the standards.

○Regarding the evaluation of effectiveness of the Board of Directors in the fiscal year ended March 31, 2023, the Company received an assessment that the Board of Directors was effective as a whole in accordance with the Corporate Governance Code, following an evaluation conducted through a questionnaire sent to inside and Outside Directors with the involvement of a third party (Mitsubishi UFJ Trust and Banking Corporation). In particular, the following points were positively valued.

- Appropriate communication with stakeholders, including institutional investors, and provision of feedback to the Board of Directors
- Appropriate reporting on the progress of business model transformation through DX (Digital Transformation)
- Confiding discussions at the meetings of the Board of Directors

In addition, the Company received the opinion that the Company should work on the following to further strengthen the effectiveness of the Board of Directors:

- To improve risk identification and analysis, etc., and develop a system that enables the Board of Directors to support risk-taking
- To further deepen discussions on nomination and compensation at the ESG Management Promotion Committee and share the outcomes of these discussions with the Board of Directors
- To further deepen discussions within the ESG Management Promotion Committee regarding the skills, roles, and experiences expected of its directors and corporate auditors of the Company, and share the outcomes with the Board of Directors
- To carry out appropriate deliberations and discussions about talent strategies (including diversity in the appointment of key personnel) at the Board of Directors

For the policy for the evaluation of effectiveness of the Board of Directors, refer to Article 24 (Assessment of effectiveness of the Board of Directors) of the Guidelines.

[Supplementary Principle 4-13-③] (Information Access and Support System)

The audit office, which is the Company's internal audit department, will establish a system to report directly to the Board of Directors and the Board of Corporate Auditors the results of audits, issues to be addressed, and the status of improvement of matters pointed out in relation to the Group's internal control system and risk management conducted in accordance with the internal audit plan, thereby ensuring collaboration with the Board of Directors and Board of Corporate Auditors. Based on the reports of the audit office, the Board of Corporate Auditors conducts a comprehensive evaluation of the status of the execution of duties by directors and reports the results of the evaluation to the Board of Directors.

With respect to the effectiveness of audits, the audit office establishes a forum for discussions with directors and corporate auditors, including Outside Officers, conducts necessary discussions, etc. on audit items and methods that are relevant to audit results, the status of follow-up audits, etc. and determines an audit policy on a timely basis, thereby building coordination systems and frameworks that ensure the effectiveness of audits.

The company shares with Outside Officers (Directors and Corporate Auditors) in a timely manner materials for meetings and minutes of the Board of Directors, Management Conference, ESG Management Promotion Committee, Group Executive Officers Meeting, etc. Moreover, prior to meetings of the Board of Directors, explanations about the meeting agenda are provided by relevant officers in charge and persons responsible for relevant projects, as appropriate, with the aim of encouraging active discussions at meetings of the Board of Directors. In addition, the Company has appointed a person in charge of liaison and coordination with Outside Officers to provide them with necessary information in a timely manner.

[Supplementary Principle 4-14-②] (Policy for Training of Directors and Corporate Auditors)

Refer to Article 26 (Policy for training of Directors and Corporate Auditors) of the Guidelines.

[Principle 5-1] (Policy for Constructive Dialogues with Shareholders)

Update

Based on the recognition that constructive dialogues with shareholders and investors are necessary for sustained growth and for the medium- to long-term enhancement of corporate value, the Company has developed internal systems for providing opportunities for such dialogues. Discloses the details of these initiatives in the Integrated Report.

“Integrated Report 2021-22” P.37, “Integrated Report 2023” P.46

<https://www.nichigas.co.jp/en/ir/library/integrated-report>

■ Situation of dialogues with shareholders, etc.

<IR meetings>

- IR department, as a contact, responds to approximately 300 times/ year IR meetings with institutional

investors and analysts. The Representative Director, Chief Executive Officer and other Officers are also actively involved in the dialogues.

- For the IR meetings, less than 70% are with domestic institutional investors, and more than 30% are with overseas institutional investors. In the IR meetings with overseas investors, interviews are held in English with no interpreters present in most cases. The Company believes that direct communication without the needs for interpretation, where executives and IR personnel with an understanding of the Company's internal affairs engage in dialogue, deepens the conversation. The inability to communicate directly in English is sometimes the reason why IR meetings are not conducted, and English meetings without an interpreter lead to more opportunities for dialogue. The Company strives to disclose information fairly to domestic and overseas institutional investors by translating important information into English as promptly as possible.
- Overseas IR meetings (Non-deal Road show): From 2023, the Company resumed overseas IR on-site meetings and is conducting face-to-face dialogues with overseas institutional investors. Its management will continue to directly dialogue with domestic and overseas investors to inform them of its business progress and strategies.
- With respect to explanatory meetings, the Company holds a result briefing in the form of a conference call on the day of the results announcement, and the Senior Managing Executive Officer, Corporate Headquarters, General Manager (CFO), provides explanations and answers questions from investors. In addition, the Company holds business strategy meetings twice a year, in principle, where the Representative Director, Chief Executive Officer and other Officers explain medium- to long-term business strategies and ESG initiatives. The videos of the meetings are disclosed in “Financial Statements Explanatory Meeting” on the Company’s website (URL: <https://www.nichigas.co.jp/en/ir/library/meeting>). In the fiscal year ended March 2023, the Company conducted business strategy meetings in May 2022 and November 2022. During the business strategy meeting in April 2023, the Senior Managing Executive Officer, Corporate Headquarters, General Manager (CFO), provided information on financial results, the three-year plan, and capital policies. Additionally, the Representative Director, Chief Executive Officer explained the purpose of the organizational restructuring within the Group.
- The Company is strengthening the dialogue with shareholders and investors regarding the Company’s policies on ESG and sustainability based on the Integrated Report.

<Main topics of dialogue with shareholders/ investors and their interests>

- Medium- to long-term initiatives to decarbonized society
- LP gas industry consolidation and the Company’s growth potential through the market consolidation
- Medium- to long-term management strategies (Energy Retail, Energy Solution, Platform)
- Human capital strategy to enhance its corporate value
- Capital strategy and shareholder return policy, etc.

<Feedback to the Board of Directors>

- Useful opinions acquired through dialogues with shareholders, etc. are appropriately shared by Management

Conference and the Board of Directors (Each meeting is held once a month) and discussed by the Board members. Additionally, shareholder movements based on the quarterly substantial shareholder survey, and the content of dialogue of IR meetings are appropriately shared by Management Conference and the Board of Directors and discussed by the Board members.

- Additionally, the details of annual dialogue with shareholders and initiatives by the IR department are reported to the Board of Directors once a year for discussion with management to further enhance the level of dialogue with shareholders.
- For example, in the three-year plan from the fiscal year ending March 2024 to the fiscal year ending March 2026, announced on April 27, 2023, the Company announced shareholder return policy for the three years period from the fiscal year ending March 2024 to the fiscal year ending March 2026, which was discussed and finalized by the Board of Directors, considering the dialogue with investors.

The Company intends to promote constructive dialogue with shareholders by, for example, promoting communication of the ideas of Outside Directors and Outside Corporate Auditors in addition to Internal Directors. For the policy for constructive dialogues with shareholders, refer to Article 27 (Dialogue with shareholders) of the Guidelines.

[Supplementary Principle 5-2-①](Formulation and announcement of management strategies and plans)

Update

To enhance ROE, the Company is committed to a capital policy of not holding unnecessary shareholder capital while improving ROIC. As in the past, the Company will continue to optimize the equity ratio while accumulating highly profitable assets, such as LP gas and IT-related assets, without significantly increasing its overall asset size, aiming for ROE of 22% in the fiscal year ending March 31, 2026. The Company's policy is to maximize the improvement of ROIC by avoiding holding unnecessary shareholder capital beyond an appropriate level. This, in turn, contributes to the enhancement of ROE to the greatest extent possible. Now that the Group's corporate structure moving forward has been determined through the reorganization, the Company plans to verify its ability to raise interest-bearing debt and determines the optimal capital adequacy ratio, aiming to reduce it from 48% in the fiscal year ended March 31, 2023 to 40% in the fiscal year ending March 31, 2026.

Regarding the allocation of acquired cash flows, the Company places equal importance on returning high levels of value to shareholders and investing in high-return assets, striving to balance both aspects. Over the three-year period from the fiscal year ending March 2024 to the fiscal year ending March 2026, the Company anticipates cash inflow of 86 billion yen through cash-in (acquired cash from operating cash flows and increased borrowings). From this cash, the Company plans to allocate 38.5 billion yen to growth investments and 47.5 billion yen for shareholder returns.

The Board of Directors is responsible for overseeing the allocation of management resources and the implementation of strategies related to the business portfolio (*The details are disclosed in the Integrated Report and other documents). At least every results announcement (quarterly), the Board of Directors discusses

the allocation of management resources and the status of business investments and portfolios, and the Company discloses the details of these discussions in its Earnings Summary Supplemental Disclosure.

- Earnings Summary Supplemental Disclosure <https://www.nichigas.co.jp/en/ir/library/financial-statements>
- “Integrated Report 2021-22” P.8~10, “Integrated Report 2023” P.23~26
<https://www.nichigas.co.jp/en/ir/library/integrated-report>

**■ Action to Implement Management that is Conscious of the Cost of Capital and Stock Price
【Disclosed in English】**

The Company discloses on its own website explanatory materials of its capital strategy and explains its actions to implement management that is conscious of cost of capital and stock price, as well as its capital strategy.

“NICIGAS’ Capital Strategy”

P.1 <https://view.nichigas.co.jp/ir/library/capital/capital-strategy-en.pdf>

**Action to Implement Management that is Conscious of
the Cost of Capital and the Stock Price**



Emphasizes shareholder-oriented management with the understanding that capital strategy is the strategy for maximizing the performance of shareholders’ equity. Sets ROE as the most important financial KPI, and will achieve 22% ROE in FYE 03/26.

Analysis of Current Situation	-Discloses ROE, ROIC, Cost of capital, and WACC. Sets ROE as the most important financial KPI.
	-The Board of Directors discussed and finalized the three-year plan. Emphasizes shareholder-oriented management. -After the reorganization, will calculate and manage ROIC for each business segment.
Planning and Disclosure	-Sets the targets of ROE and ROIC in the three-year plan (FYE03/24-FYE03/26). Recognizes cost of capital as 6%. >Details on page 5
	-Discloses current situation and initiatives in the Earnings summary supplemental disclosure (quarterly), the Integrated reports (once a year), and on the Company’s website. * Earnings Summary Supplemental Disclosure: https://www.nichigas.co.jp/en/ir/library/financial-statements * Integrated Report “Capital Strategy” (P.23-26): https://www.nichigas.co.jp/en/ir/library/integrated-report * The Company’s website: https://www.nichigas.co.jp/en/ir/library/strategy
Implementation of Initiatives	-Will expand the equity spread, the difference between ROE and cost of capital. >Details on page 5 -Defines "profitable" as return on invested capital (ROIC). Will enhance ROIC by increasing higher profit generating asset. >Details on page 6-7 -To expand ROE, will enhance ROIC without holding unnecessary shareholders’ equity. Plans 100%+ return to shareholders vs. net income in three-years from FYE03/24 to FYE03/26. Details on page 8-9
	-Holds dialogues at financial results briefings, business strategy meetings, and IR (more than 300 meetings/ year). * For details of IR activities, refer to P.46 of “Integrated Report 2023” https://www.nichigas.co.jp/en/ir/library/integrated-report

2. Capital Structure

Foreign Shareholding Ratio	30% or more
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Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,455,300	16.89%
Custody Bank of Japan, Ltd. (Trust Account)	11,342,600	9.85%
SSBTC CLIENT OMNIBUS ACCOUNT	5,265,991	4.57%
TEPCO Energy Partner, Incorporated	4,380,000	3.80%
JAPAN POST INSURANCE Co., Ltd.	3,550,000	3.08%
Nippon Life Insurance Company	2,186,760	1.90%
GOVERNMENT OF NORWAY	2,052,700	1.78%
STATE STREET BANK WEST CLIENT-TREATY 505234	1,491,700	1.29%
JP MORGAN CHASE BANK 385781	1,403,918	1.22%
The Master Trust Bank of Japan, Ltd. (Board Incentive Plan Trust Account 75844)	1,357,986	1.18%

Name of Controlling Shareholder, if applicable (excluding Parent Company)	—
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Name of Parent Company, if applicable	None
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Supplementary Explanation

The status of major shareholders above is as of the end of March 2023.

The Company owns 1,399,091 shares as treasury stock which is excluded from the number of shares held by major shareholders above. The treasury stock does not include 1,357,986 shares of the Company's stock owned by The Master Trust Bank of Japan, Ltd. in the "Executive Compensation BIP (Board Incentive Plan) Trust" (trust account).

In addition, the Company's treasury stock is excluded in the calculation of the percentage figures.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market
Fiscal Year-End	March
Business Sector	Retail Trade
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more

Net Sales (Consolidated) as of the End of the Previous Fiscal Year	¥100 billion or more and less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Fewer than 10

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which May have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Board*
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*Referred to in the Corporate Governance Code reference translation as "Company with *Kansayaku* Board"

Directors

Number of Directors Stipulated in Articles of Incorporation	15
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	6
Election of Outside Directors	Elected
Number of Outside Directors	2
Number of Independent Directors	2

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Tsuyoshi Yamada	Lawyer											
Eriko Satonaka	From another company											

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business of the Company or a subsidiary
- Person who executes business or a non-executive director of a parent company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)
- Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- Person who executes business for an entity receiving contributions from the Company (applies to self only)
- Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Tsuyoshi Yamada	○	—	<p>Reason for appointment as an Outside Director:</p> <p>Mr. Tsuyoshi Yamada is a licensed lawyer, who in addition to his in-depth knowledge of the Commercial Code, the Companies Act, and law related to financial, also specializes in the nature of dialogue between corporations and their shareholders. Although he has no direct experience in corporate management, as the Company believes that his knowledge will contribute to management, governance, and risk management based on an investors' perspective, the Company has appointed him as Outside Director.</p> <p>Reason for nomination as an independent officer:</p> <p>Mr. Yamada is nominated as an independent officer because the risk of conflict of interest with general shareholders is considered to be nonexistent in view of his career.</p>

Eriko Satonaka	○	—	<p>Reason for appointment as an Outside Director:</p> <p>Ms. Eriko Satonaka has expertise in human resources and diversity promotion at Nissan Motor Co., Ltd. and later at Benesse Holdings, Inc. where she led human resource development strategies and the design of the executive compensation plan. She is currently CHRO of Avant Group, where she supervises company-wide human resources strategy. As the Company believes that this experience will contribute to the recruitment and development of the next generation of human resources and the promotion of diversity, the Company has appointed her as Outside Director.</p> <p>Reason for nomination as an independent officer:</p> <p>Ms. Satonaka is nominated as an independent officer because the risk of conflict of interest with general shareholders is considered to be nonexistent in view of her career.</p>
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Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson)

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	ESG Management Promotion Committee	5	0	2	2	1	0	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	ESG Management Promotion Committee	5	0	2	2	1	0	Outside Director

Supplementary Explanation

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Audit and Supervisory Board Member*

*Referred to in Corporate Governance Code reference translation as "*kansayaku*"

Establishment of Audit and Supervisory Board	Established
Number of Audit and Supervisory Board Members Stipulated in Articles of Incorporation	4
Number of Audit and Supervisory Board Members	3

Cooperation among Audit and Supervisory Board Members, Accounting Auditors and Internal Audit Departments

The Board of Corporate Auditors consists of three corporate auditors (including two Outside Corporate Auditors). The Board of Corporate Auditors meets monthly prior to the Board of Directors meetings and as needed. The Board of Corporate Auditors also holds quarterly three-way audit meetings with the accounting auditors, and the audit office, which is the Company's internal audit department, and auditors of subsidiaries to discuss audit policies, audit plans, key audit items, etc., and to exchange information on the status of each audit, etc., with the close collaboration to ensure and effective and efficient audits. In addition, a full-time Corporate Auditor conducts audits by attending the Internal Control System Committee (the Group Risk Management Committee and the Group Compliance Committee) and other important meetings, inspecting documents for final decisions and always exchanging information with the Audit Office to execute efficient audits.

Appointment of Outside Audit and Supervisory	Appointed
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Board Members	
Number of Outside Audit and Supervisory Board Members	2
Number of Independent Audit and Supervisory Board Members	2

Outside Audit and Supervisory Board Members' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Katsuhisa Nakshima	CPA													
Takao Orihara	From another company													

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- a. Person who executes business of the Company or a subsidiary
- b. A non-executive director or an accounting advisor of the Company or its subsidiaries
- c. Person who executes business or a non-executive director of a parent company
- d. An Audit and Supervisory Board Member of a parent company of the Company
- e. Person who executes business of a fellow subsidiary
- f. Person/entity for which the Company is a major client or a person who executes business for such person/entity
- g. Major client of the Company or a person who executes business for such client
- h. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
- i. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- j. Person who executes business for a client of the Company (excluding persons categorized as any of f, g, or h above) (applies to self only)
- k. Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- l. Person who executes business for an entity receiving contributions from the Company (applies to self only)
- m. Other

Outside Audit and Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Katsuhisa Nakashima	○	—	<p>Reason for appointment as an Outside Corporate Auditor: Mr. Katsuhisa Nakashima possesses expertise in corporate value evaluation and stock valuation based on his experience as a certified public accountant at an auditing firm, as well as his secondment to a venture capital firm and the Deposit Insurance Corporation of Japan. He also has a deep understanding of management as an executive of an M&A and organizational restructuring consulting company, and the Company has appointed him as Outside Corporate Auditor.</p> <p>Reason for nomination as an independent officer: Mr. Nakashima is nominated as an independent officer because the risk of conflict of interest with general shareholders is considered to be non-existent in view of his career.</p>

Takao Orihara	○	—	<p>Reason for appointment as an Outside Corporate Auditor: Mr. Takao Orihara has experience in finance and corporate planning at Nomura Real Estate Development, and participated in the management of Nomura Real Estate Holdings and Nomura Real Estate Development for nine years, mainly as a Director in charge of finance. He subsequently held other positions including Director (Audit & Supervisory Committee member) and Corporate Auditor at Nomura Real Estate Holdings, Inc. for seven years. As the Company believes that his experience as an executive and auditor at listed companies, etc. will contribute to the accurate auditing of the Company, it has appointed him as Outside Corporate Auditor.</p> <p>Reason for nomination as an independent officer: Mr. Orihara is nominated as an independent officer because the risk of conflict of interest with general shareholders is considered to be non-existent in view of his career.</p>
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Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

Number of Independent Directors and Independent	4
Audit and Supervisory Board Members	

Other Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

The Company's criteria for judgment of the independence of its Outside Directors and Outside Corporate Auditors are governed by the independence criteria established by the Tokyo Stock Exchange.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors

Introduction of Performance-linked Remuneration Scheme, Other

Supplementary Explanation for Applicable Items

Remuneration for Directors and officers of the Company has been composed of performance-linked remuneration, which is basic remuneration linked to the business performance such as consolidated operating income, and a stock remuneration plan introduced to increase the Directors' consciousness of linkage with shareholder value for the purpose of raising their awareness of the medium- to long-term enhancement of corporate value. The Company pays only the fixed basic remuneration to Outside Directors and corporate auditors and does not pay performance-linked remuneration and stock remuneration for them to appropriately undertake their roles.

1) Performance-linked remuneration

Individual basic remuneration for each Director and executive officer, which is linked to performance, is calculated based on an evaluation of each individual by independent outside evaluators*. *independent outside evaluators: Two university professors who, based on recommendations by an external organization, were engaged to conduct evaluations since 2015 after the officer in charge of the Human Resource Department determined that they are highly knowledgeable in performance evaluation, which is the basis for calculating management and executive compensation.

<Evaluation Process>

1. Each Director and Executive Officer conducts evaluation interviews with independent outside evaluators after the end of the fiscal year to discuss the challenges undertaken and achievements made.
2. The independent outside evaluators conduct quantitative and qualitative evaluations for each item required for the roles and duties of each Director and Executive Officer based on the interview results. The quantitative evaluation is made based on operating income of the Company and the status of achievement of the KPIs set by each Officer at the beginning of the evaluation period. The qualitative evaluation is made based on items such as contribution to the enhancement of corporate value, the formulation of policies and the penetration of strategies, the cultivation and discovery of successors, and expertise and foresight. Emphasis is placed on the ability to drive change without being bound by past customs or previous successes.
3. After the results of the independent outside evaluation are confirmed by the General Managers of each Headquarters, the Representative Director, Chief Executive Officer and the Managing Executive Officer in charge of Human Resource Department determine the basic compensation concept for each individual based on the independent outside evaluation, and the ESG Management Promotion Committee approves these contents. Based on the approved principles, the Representative Director, Chief Executive Officer and Managing Executive Officer in charge of the Human Resource Department engage in discussions to make the final decision on individual basic remunerations.

2) Non-monetary remuneration (Stock Compensation) *

The stock-based compensation is provided to Directors and Executive Officers as a medium- to long-term incentive plan, targeting a period of five business years, with a maximum limit of 851 million yen and 690,000 shares (post-stock split). The purpose of this plan is to enable Directors and Executive Officers to share medium- to long-term profit value with shareholders. In the stock remuneration, the BIP trust is used, and points calculated based on the position factor and the monthly amount of basic remuneration that will change according to the degree of achievement of consolidated operating income and others will be granted to the Directors every year. The points are accumulated during the term of office and can be received as the eligible stock-based compensation upon retirement for each of the Directors and Executive Officers of the Company and its subsidiaries covered under the stock-based compensation system. Subject to the approval of the Company's Board of Directors, the term of this stock-based compensation may be extended for the same period every five fiscal years.

3) Policy on ratio of remuneration, etc.

The ratio of basic remuneration, which is linked to performances such as consolidated operating income and other business results, to stock-based compensation is determined by the position coefficient determined for each position in the internal guideline.

4) Policy on timing and conditions for granting remuneration, etc.

Individual remuneration for Directors and Executive Officers determined through the process described in (1) above will be reflected beginning with the payment in July of each year in line with the term of office of Directors and Executive Officers.

5) Matters concerning delegation of determination of remuneration, etc.

- Name, position and/or responsibility in the Company of the person to be delegated

Mr. Kunihiko Kashiwaya, Representative Director, Chief Executive Officer

Mr. Keiichi Ozaku, Managing Executive Officer, in charge of Human Resource Department

The reason for said delegation is that the Representative Director, Chief Executive Officer and the Managing Executive Officer in charge of the Human Resource Department are deemed appropriate to evaluate each Director and Executive Officer while taking into consideration the Company's overall performance and other factors

- Description of authority to be delegated

The authority to determine basic remuneration for each individual based on an independent outside evaluation, subject to the approval of the ESG Management Promotion Committee and the Board of Directors on the approach to determining remuneration.

- Details of measures to ensure that delegated authority is properly exercised

The concept of individual basic remuneration determined by the Representative Director, Chief

Executive Officer and the Managing Executive Officer in charge of the Human Resource Department based on an independent outside evaluation is reported to the ESG Management Promotion Committee, and the ESG Management Promotion Committee approves its contents, thereby ensuring that the delegated authority is properly exercised.

Persons Eligible for Stock Options

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Supplementary Explanation for Applicable Items

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Director Remuneration

Status of Disclosure of Individual Directors' Remuneration

Disclosure for Selected Directors

Supplementary Explanation for Applicable Items

The 61st Ordinary General Meeting of Shareholders held on June 25, 2015 passed a resolution setting the limit of remuneration for Directors at the annual amount of JPY 400 million or less (of which annual remuneration for Outside Directors is JPY 30 million or less, and excluding employee salaries). The 61st Ordinary General Meeting of Shareholders held on June 25, 2015 also passed a resolution setting the limit of remuneration for Corporate Auditors at the annual amount of JPY 70 million or less.

■ Remuneration for Officers in fiscal year ended in March 2023(April 1, 2022 to March 31, 2023).

Category of officer	Total amount of remuneration (JPY mil.)	Total amount by type of remuneration (JPY mil.)				Number of officers covered (persons)
		Basic remuneration	Non-monetary remuneration (Stock compensation)	Bonus	Retirement benefits	
Directors (excluding Outside Directors)	249	171	77	-	-	4
Corporate Auditors (excluding Outside Corporate Auditors)	14	14	-	-	-	2
Outside Directors/Corporate Auditors	36	36	-	-	-	5

*No directors concurrently serve as an employee.

*The above Non-monetary remuneration is the amount of provision for allowance for stock remuneration in the fiscal year under review.

- Total amount of consolidated remuneration for Directors for whom the total amount of consolidated remuneration is JPY 100 million or more

Name	Category of officer	Category of company	Total amount of consolidated remuneration (JPY mil.)	Amount by type of consolidated remuneration (JPY mil.)		
				Basic remuneration	Non-monetary remuneration (Stock compensation)	Bonus
Shinji Wada	Director	Company submitting this report	109	74	34	-

Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

Established

Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

Refer to the “Supplementary Explanation” in “Incentives” above.

Support System for Outside Directors and/or Outside Audit and Supervisory Board Members

There is no full-time staff for Outside Officers, but the general affairs department and the audit office support Outside Directors and Outside Corporate Auditors, respectively.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

Overview of the current system

1. Business execution system

For the purpose of clarifying the division between the decision-making and supervisory function of management and the business execution function, the Company established the Management Conference to which the authority of business execution is delegated, in addition to the Board of Directors that determines basic matters on management strategies and management plans. The Management Conference holds discussions to achieve the resolutions passed by the Board of Directors.

In addition, the Company established the ESG Management Promotion Committee as an advisory committee to strengthen the independence, objectivity, fairness and accountability of the Board of Directors' function and ensure the effectiveness of the Board of Directors. The Company strives to resolve social issues through business by promoting the ESG (environmental, social, and governance) management of the Group by organizing and sharing risks on the business model and business opportunities provided by medium- to long-term changes in the business environment from an ESG perspective. The Company also takes steps to meet the expectations of stakeholders by conducting activities to realize the sustainable growth of the Group and enhance its corporate value over the medium- to long-term.

The Board of Directors : Six Directors, including two independent Outside Directors (Mr. Shinji Wada,

Chairman, Director, Executive Officer, Mr. Kunihiko Kashiwaya, Representative Director, Chief Executive Officer, Mr. Daijo Watanabe, Representative Director, Senior Managing Executive Officer, Mr. Keiichi Yoshida, Representative Director, Senior Managing Executive Officer, Mr. Tsuyoshi Yamada, Outside Director, Ms. Eriko Satonaka, Outside Director).

Management Conference: A decision-making body for business execution, composed of the Chairman, Executive Officer, the Chief Executive Officer, and the General Managers and Deputy General managers of the Sales Headquarters, Energy Business Headquarters, and Corporate Headquarters. In principle, the Management Conference meets once a month to receive reports on the status of business operations from each department (4-5 agenda per month) and discuss and implement specific measures for management plans and strategies resolved by the Board of Directors, thereby enhancing agile business execution and management efficiency.

In the fiscal year ended March 2023, an Investment Committee has been established as a subordinate body of the Management Conference, and investments exceeding 30 million yen are reviewed by this Committee prior to the Board of Directors meeting. The progress of investments is monitored regularly, and updates are provided to the Management Conference accordingly.

The ESG Management Promotion Committee: Chaired by an independent Outside Director (Mr. Tsuyoshi Yamada) and comprises five members including independent Outside Director (Ms. Eriko Satonaka), independent Outside Corporate Auditors (Mr. Takao Orihara) and Directors (Mr. Kunihiko Kashiwaya, Representative Director Chief Executive Officer, Mr. Daijo Watanabe, Representative Director, Senior Managing Executive Officer) (Outside Directors or Outside Corporate Auditors form a majority). The Committee holds discussions and reports to the Board of Directors on key themes such as long-term management challenges and sustainability priorities from the perspective of ESG management, along with specific measures and progress made in addressing them. It addresses also topics such as executive compensation, succession planning, and important personnel decisions at the General manager and higher levels. To strengthen governance for sustainable growth, the Committee engages in in-depth discussions on matters such as executive compensation, succession planning (including successor development), and human resources strategies.

2. Auditing system

The Board of Corporate Auditors of the Company comprises three Corporate Auditors including one full-time Corporate Auditor (Mr. Kenji Manaka) and two independent Outside Corporate Auditors (Mr. Katsuhisa Nakashima, Mr. Takao Orihara). Mr. Katsuhisa Nakashima is a certified public accountant with strong expertise in accounting and finance. He possesses managerial experience and has extensive experience in auditing. Mr. Takao Orihara has served as a Director mainly in the financial department of Nomura Real Estate Holdings and Nomura Real Estate Development, besides holding positions as a Director (audit & supervisory committee member) and corporate auditor at Nomura Real Estate Holdings Inc., thus bringing both executive and auditing experience.

The Board of Corporate Auditors regularly holds meetings before meetings of the Board of Directors and holds an extraordinary meeting as needed. The Corporate Auditors attend the meetings of the Board of Directors to audit the proceedings and content of resolutions and actively express opinions, and also conduct audits of the business execution of Directors, Executive Officers and the heads of departments and sections. In addition, the Board of Corporate Auditors audits the business execution of Directors by maintaining close cooperation with the accounting auditor and the audit office, which is an internal control unit, including receiving a report on the implementation status of audits from them.

Name of certified public accountants who provided accounting audit services (audit corporations they belong to, the number of years of continuous audit)

Mr. Kiyoshi Asada (Kyoritsu Shinmei Audit Corporation, 4 years) and Mr. Yasumasa Iwakiri (Kyoritsu Shinmei Audit Corporation, 3 years), as well as other seven certified public accountants certified public accountant as an assistant engage in accounting audit services.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted the Company with *Kansayaku* Board. The Company has also introduced the executive officer system. Under this system, the Board of Directors takes on the decision making and supervisory function of management while Executive Officers have the business execution function.

The Company believes that this system enables rapid decision-making and business execution, and also allows the Board of Corporate Auditors to exercise its own investigative authority over the execution of duties by the Directors through the independent appointment of Corporate Auditors, thereby fostering management with a greater sense of alertness and vigilance.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Shareholders Meeting	At the time of the Ordinary General Meeting of Shareholders held on June 27, 2023, the Notice of Convocation was dispatched three weeks before the Meeting.
Electronic Exercise of Voting Rights	The Company has introduced the exercise of voting rights by electromagnetic means
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company participateparticipates in a platform for the electronic exercise of voting rights.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	The English convocation notice was disclosed three weeks prior to the General Shareholders Meeting.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The Company established a policy for information disclosure to stakeholders by establishing the Disclosure Policy. The Disclosure Policy is posted on the Company's website (URL: https://www.nichigas.co.jp/en/disclosure).	
Regular Investor Briefings held for Analysts and Institutional Investors	<p>With respect to explanatory meetings, the Company holds a result briefing in the form of a conference call on the day of the results announcement, and Senior Managing Executive Officer, Corporate Headquarters, General Manager, provides explanations and answers questions from investors. In addition, the Company holds business strategy meetings twice a year, in principle, where the Representative Director, Chief Executive Officer and other officers explain business strategies and ESG initiatives. During the financial results and business strategy meeting in April 2023, the Senior Managing Executive Officer, Corporate Headquarters, General Manager provided information on financial results, the three-year plan, and capital policies. Additionally, the Representative Director, Chief Executive Officer explained the purpose of the organizational restructuring within the Group.</p> <p>•Business Strategy Meeting: Held in May and November 2022, and in April 2023. The videos of the meetings are disclosed in “Financial Statements Explanatory Meeting” on the Company’s website (URL: https://www.nichigas.co.jp/en/ir/library/meeting).</p>	Held
Regular Investor Briefings held for Overseas Investors	Small-scale meetings for overseas institutional investors (IR meetings with typically 5 to 10 participants) are held multiple times a year. These meetings explain its business strategy and ESG initiatives to overseas investors via Zoom or the like.	Held
Online Disclosure of IR Information	Materials related to financial results, the growth story, IR news, and the video of explanatory meetings are posted on the website (URL: https://www.nichigas.co.jp/en/ir).	
Establishment of Department and/or	Corporate Strategy/IR Department is a contact point.	

Placement of a
 Manager in
 Charge of IR

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
<p>Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders</p>	<p>The Company has stipulated internal rules for respecting the position of stakeholders in the Code of Conduct for the Nippon Gas Group Officers and Employees and the Basic Policy for Harassment Prevention Measures in the Workplace of the Nippon Gas Group, etc., and implements initiatives such as conducting in-house compliance awareness surveys and providing training on compliance and harassment. In addition, the Company tries to interactively communicate with the Stakeholders.</p> <p>The Company established internal and external consultation channels, as well as a contact point for Corporate Auditors, to receive and address reports and consultations regarding harassment, compliance violations, and other related matters. These channels aim to facilitate early detection and early response to such issues.</p>
<p>Implementation of Environmental Preservation Activities and CSR Activities, etc.</p>	<p>The Company's policy is to implement its initiatives for CO₂ reduction within the context of its corporate value growth initiatives, and to promote growth in corporate value and enhanced shareholder returns on the premise that the Company delivers energy to its customers in a safe and stable manner.</p> <p>As a company that delivers energy in the last one mile to tackle the social issue of CO₂ reduction, the Company is committed to CO₂ reduction in all areas of the operations and to achieving net-zero CO₂ emissions by 2050. Specific initiatives to reduce CO₂ emissions include the highly efficient delivery of LP Gas, promoting the use of hybrid water heaters and the energy solution equipment such as, solar power generation, storage batteries and EV chargers, the introduction of EVs, and the procurement of non-fossil power sources, with the aim of reducing CO₂ emissions in both its own operations and those of our customers.</p> <p>With regard to the above initiatives, the Company has set a CO₂ emission reduction target by 2030, and is taking actions to achieve</p>

that goal.

(1) CO₂ emissions in the LP Gas industry (due to LPG Network Service) Approx. 50% reduction.

The Company will reduce CO₂ emissions with highly efficient filling and delivery operation, which the Company has realized by connecting data, in LP gas operations. In addition to reducing its own CO₂ emissions, the Company will also aim to reduce CO₂ emissions of the entire industry by having other LP Gas operators (partners) use its LP Gas delivery system as the LPG Network Service.

(2) CO₂ emissions per household: Approx. 50% reduction.

The Company will reduce CO₂ emissions per household, based on the basic premise of offering E&G bundling. The Company will halve CO₂ emissions per customer household with E&G bundling by the highly efficient delivery of LP Gas, promoting the use of hybrid water heaters and the energy solution equipment such as, solar power generation, storage batteries and EV chargers, offering electricity menus with virtually zero CO₂ emissions, and procuring non-fossil power sources.

(3) Contribution to reduction: Approx. 1.45 million t- CO₂ (as of 2030).

The Company will reduce CO₂ emissions by approximately 1.45 million tons as of 2030 (compared to conventional levels) by implementing reduction measures such as highly efficient LP Gas delivery, widespread use of hybrid water heaters and the energy solution equipment, such as solar power generation, storage batteries, and EV chargers, providing electricity menus with virtually zero CO₂ emissions, and procuring non-fossil power sources, etc.

The Company is expanding the provision of Energy Solutions and implementing new technologies to achieve net-zero CO₂ emissions. Through initiatives such as carbon neutrality and TCFD, the Company aims to address societal challenges and further enhance its corporate value.

<Business strategy to realize net-zero CO₂ emissions>

1) Reduction by providing Energy Solutions

- Stage 1: Expand sales of electricity and gas as a package, focusing on family households.

- Stage 2: The Company will promote to provide customers with distributed hybrid water heaters and the energy solution equipment, such as solar power generation, storage batteries and EV chargers, and promote smart houses to achieve optimal energy use in each household.

- Stage 3: Each family in a smart house or building is widely connected to a community-based power distribution network, and in a virtual power plant in the metaverse (virtual space), AI deep learning algorithms control the energy solution equipment to optimize energy use in the entire community, aiming to realize a smart city.

2) Reduction by introducing new technologies

The Company will also invest in and form alliances with ventures specializing in the environment technology, and cooperate with gas equipment manufacturers, etc., and introduce new technologies. In order to promote collaboration in the field of storage batteries, the Company has entered into a capital and business alliance with Power X. This partnership aims to accelerate its efforts in providing Energy Solutions. In addition, the Company will introduce and demonstrate new technologies in the new areas of renewable energy (natural energy), CCUS (CO₂ capture, utilization, and storage), hydrogen energy, ammonia, carbon-free methane, DME (dimethyl ether), and other technologies that are being developed for commercial use, while evaluating their practical applicability.

The Company's specific initiatives for ESG and SDGs are disclosed in "Integrated Report 2021-2022"

(URL:<https://www.nichigas.co.jp/en/ir/library/integrated-report>)

and "Financial Statements Explanatory Meeting" on the Company's website (URL:<https://www.nichigas.co.jp/en/ir/library/meeting>).

Formulation of Policies, etc. on Provision of

The Company established a policy for information disclosure to

Information to Stakeholders

stakeholders in the Disclosure Policy.

The Company's basic policy is to disclose its corporate information in a timely, appropriate and fair manner based on the Financial Instruments and Exchange Act and other relevant laws and regulations as well as the Securities Listing Regulations of the Tokyo Stock Exchange, recognizing that timely and appropriate information disclosure to the stakeholders is a fundamental part of formulating a sound capital market.

For internal systems for the timely disclosure of corporate information, please see "V-2. Other Matters Concerning the Corporate Governance System" below.

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

1. Basic policy for business operation

The Company develops and operates internal control to realize the management strategies and plans.

The Company develops and operates internal control for the entire Group to realize the management strategies and plans.

The Company works to establish a system to execute business in a lawful and efficient manner by promoting the development and operation of the internal control system by establishing the Internal Control System Committee chaired by the Representative Director, Chief Executive Officer, as well as the Group Risk Management Committee (Chairman: Corporate Headquarters, General Manager), the Group Compliance Committee (Chairman: Corporate Headquarters, General Manager), Information Disclosure Committee (Chairman: Corporate Headquarters, General Manager) and the Internal Control Working Group (Chief Supervisor: Legal Department, General Manager) as a subordinate organ of the Internal Control System Committee.

The Internal Control Working Group oversees internal control over financial reporting and appoints its members and assesses the development and operation of Group-wide control and of each business process. The evaluation members are selected at each subsidiary of the Company to report progress in the assessment of development and operation and to discuss the implementation status of monitoring and improvements in assessment results.

With respect to the status of lawyers and other third parties, the Company cooperates with seven law firms. It builds a mechanism for the legal control function to work by checking with them when a legal judgment is necessary, in order to contribute to compliance management.

2. System to ensure that the execution of duties by the Directors and employees conforms to laws, regulations and the Articles of Incorporation

- The Company is a company with Board of Corporate Auditors. With legality audits by Corporate Auditors as the basis of compliance management, the Company has constructed a framework for proactive and flexible business execution by strengthening the monitoring and advisory functions by Outside Directors and clarifying responsibilities for business execution and delegating power as a result of adopting the Executive Officer system. Based on this framework, the Company has developed systems to appropriately pursue efficiency on the premise of ensuring the soundness and transparency of management.
- The Company established the "Code of Conduct for the Nippon Gas Group Officers and Employees" as a compliance program for officers, employees, and others to ensure fair and proper management and a system to fulfill the social responsibilities given to companies.
- With regard to dealing with antisocial forces, the Group established a policy based on the Code of Conduct for the Nippon Gas Group Officers and Employees which involves "taking a resolute stance against antisocial forces and their organizations that adversely affect social order and safety and clearly rejecting and eliminating involvement in such forces and organizations."
- The Company established a necessary and sufficient system for internal control over financial reporting in cooperation with external experts to ensure consistency with the Companies Act, the Financial Instruments and Exchange Act, and Tokyo Stock Exchange regulations.
- To strengthen the compliance promotion system, the Company established an internal reporting system, the "Group Helpline" (with internal and external contact points). This approach prioritizes early detection, avoidance, minimization, and prevention of recurrence of risks related to compliance violations, and have enhanced the effectiveness of the compliance promotion system by ensuring that the content of reports from informants is kept confidential, that the privacy of informants is protected, and that they are not treated unfairly. The Company has also established an Auditor Helpline with a full-time Corporate Auditor serving as the point of contact to strengthen compliance management..

For the basic policy on whistle-blowing, refer to Article 12 (Relationships with Stakeholders) of the Guidelines.

3. System for the storage and management of information on the execution of duties by the Directors

- The Company has developed systems to appropriately record, store and manage information on decision-making at meetings of the Board of Directors and other important meetings, information on important managerial decisions in the execution of duties, including decisions by the Representative Directors, financial information and compliance risks (including electromagnetic information) based on internal regulations and allow necessary persons concerned to inspect them.
- To promote information security measures in a holistic manner from the perspective of risk management, the Company established the Basic Policy for Information Security of the Nippon Gas Group, and developed the information security systems by setting up the Information Security Team (Chief Supervisor: General Manager of Energy Business Headquarters, Program leaders: General Manager of Legal Department, General Manager of Information and Communication Technology Department).

- To promote lawful and appropriate handling of personal information, the Group companies have established the Personal Information Protection Policy and internal regulations to acquire, store and manage personal information appropriately and safely.
- By establishing the Information Disclosure Committee, chaired by Corporate Headquarters, General Manager, the Company established “the Disclosure Policy” and internal regulations (Information Disclosure Rules) for the disclosure of its important information and systems for information that should be disclosed so that such information is disclosed in a timely and impartial manner in accordance with the requirements of laws and regulations and the rules of stock exchanges.

4. Regulations concerning the management of the risk of loss and other relevant systems

- The Company implements systematic measures to minimize the risk of loss by preparing appropriate countermeasures in advance in response to various risks of loss according to the size of the risk and the likelihood of its occurrence, and the Group's risks are recognized across the Board and identified and evaluated by the department in charge of each business in each risk category. To appropriately address risks of the Group from both the qualitative and quantitative aspects, the Company implements comprehensive risk management based on the Group Risk Management Regulations by establishing the Group Risk Management Committee. The Group Risk Management Committee reports to the Management Conference and the Board of Directors, as necessary, on the level of risk and the status of risk management of the Group. The Company verifies, evaluates, and constantly reviews the effectiveness of risk management.
- In peacetime, the Group Risk Management Committee assesses risks of the Group and determines required and sufficient response guidelines. It develops a system to reduce risks that should be controlled by ensuring that the Officers’ and employees’ training is properly provided.
- In anticipation of the occurrence or contingency of a large-scale disaster or an outbreak of a new coronavirus pandemic or other event that could cause significant damage to the Group, the Company is working to develop a business continuity management (BCM) system to minimize business interruption and maintain social infrastructure functions by utilizing the know-how, etc. the Company has accumulated through the lifeline business experience. In addition, a "Disaster Countermeasures Manual" is in place in preparation for earthquakes and other disasters.
- In the event of a natural disaster, accident, epidemic of infectious disease, crime, unauthorized access to information systems, or other emergency situation related to the Group's operations, the Company established a response system to promptly report the damage and establish a task force to implement necessary measures.

5. System to ensure that duties will be executed efficiently by the Directors

- The Company makes a decision on important matters and supervises the execution of duties by Directors by holding a meeting of the Board of Directors every month. In order to ensure the efficient execution of duties, the Management Conference consisting of Executive Officers at the level of Deputy General Manager or above of each of the Sales Headquarters, Energy Business Headquarters, and Corporate

Headquarters is held at least once a month, and a Group Executive Officers Meeting attended by full-time Directors, full-time Corporate Auditors, General Managers of branches and headquarters, and presidents of subsidiary companies is held every month, to establish a system for timely reporting on basic and important matters related to business execution. With respect to the operation of business, after the Company sets company-wide targets by drawing up management plans and a budget for each fiscal year in light of the future business environment, each department draws up specific measures to achieve the targets and works to implement them.

- The Company also seeks to improve business efficiency through the rationalization and simplification of operations, the streamlining of organizations, and the appropriate use of IT.
- To facilitate appropriate information distribution and communication between Officers and employees, the Company works to build a framework to be able to promptly communicate the policies of management to employees, with information sharing through regular meetings that are held at least once a month and are attended by department heads and other responsible individuals.

*For outlines of each meeting body, please refer to 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) under II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management above.

6. System to ensure the appropriateness of business operation of the corporate group comprising the Company and its subsidiaries (the “Group”)

- System to report matters concerning the execution of duties by the Directors of subsidiaries to the Company
 - The Company established the Nippon Gas Group Company Management Regulations for the management of subsidiaries, which require reporting to, and approval from the Company on important matters, as well as regular consultations and sharing of business management information, crisis management information, etc., to establish a system to ensure the properness of operations of the corporate group, and to ensure a system for the efficient performance of duties by Directors of subsidiaries and a system for the compliance with laws and regulations and the Articles of Incorporation by the performance of duties by Directors and employees of subsidiaries.
 - The Company established a system for reporting to the Company, such as prompt reporting to the Company through a system of cooperation that includes subsidiaries in the event of an emergency.
 - The audit office, which is responsible for the Company's internal audits, conducts audits of subsidiaries and the Legal Department reviews internal control activities.
 - The Company established a system to ensure the smooth sharing of information throughout the Group and to ensure the appropriateness of operations of the entire Group.
- Regulations concerning the management of the risk of loss of subsidiaries and other relevant system
 - The Company established the Group Risk Management Regulations that stipulates the management of the risk of loss for the Group, and has built a system to comprehensively manage the risks of the Group.

- System to ensure that duties will be executed efficiently by the Directors of the subsidiaries
 - The subsidiaries submit mid-term and annual business plans to the Company, and the Company manages the performance of the subsidiaries on a consolidated basis.
 - The Company's cloud-based core system "Kumo-no-Ucyusen" and groupware have been introduced to subsidiaries to develop a common system for the Company's group and to share information within the Group.
 - The Company is working to consolidate and rationalize administrative operations within the Group, promote the appropriate assignment of human resources, and develop a system for the smooth execution of business operations.

7. Matters concerning an employee who should assist with the duties of Corporate Auditors and the employee's independence

If a Corporate Auditor decides to appoint an employee to assist with their duties, the Company shall work to ensure the independence and the effectiveness of instructions of the employee by appropriately determining the number and the position of the employee(s) and whether their service will be exclusive or concurrent, and obtain consent from the Board of Corporate Auditors on the personnel transfer and evaluation of the employee(s).

8. Reporting system to the Corporate Auditors and system to ensure that audits will be conducted effectively by the Corporate Auditors

- System for the Directors and employees of the Company to report to the Corporate Auditors
 - The Company established a system to immediately report to the Corporate Auditor any fact that may cause significant damage to the Company or any violation of laws, regulations, or the Articles of Incorporation.
 - The Company established a Group Helpline (contact point for Corporate Auditors) to ensure the independence and transparency of the whistle-blowing system from the management.
- System for the Officers and employees of subsidiaries or persons who received a report from them to report to the Corporate Auditors of the parent company
 - The Company established a system under which Directors, employees, etc. of subsidiaries report to the Company's Corporate Auditors any facts that they discover that may cause significant damage to the Company or its subsidiaries. In addition, when requested by the Company's Corporate Auditors to report on matters concerning the execution of business operations, Officers, Directors, employees, etc. of subsidiaries shall promptly make appropriate reports. In addition, the Group's internal audit department established a system to report the results of internal audits of subsidiaries to the Company's Corporate Auditors.
- System to ensure that a person who made a report to the Corporate Auditors will not experience detrimental treatment as a result
 - The Company shall establish internal regulations to the effect that officers and employees who made a report to the Corporate Auditors will not experience detrimental treatment as a result.
- Matters concerning the policy for the treatment of expenses or obligations arising from the execution of

duties by the Corporate Auditors

- The Company shall secure a budget for audit expenses.

9. System to ensure the reliability and appropriateness of financial reporting

- The Company regards ensuring the reliability and appropriateness of financial reporting as a critical management responsibility. The basic policy of the Company is to establish an appropriate internal control system for the entire Group under the leadership of the Representative Directors.
- To ensure the reliability and appropriateness of financial reporting, the Audit Office and the Financial Department verify on the status of development and operation of internal control systems and make an appropriate report to the Board of Directors and the Board of Corporate Auditors. In this way, the Company has developed a system for the Board of Directors and the Board of Corporate Auditors to be able to continuously monitor the situation.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

(1) Basic views on eliminating anti-social forces

- With regard to dealing with antisocial forces, the Group established a policy based on the Code of Conduct for the Nippon Gas Group Officers and Employees which involves "taking a resolute stance against antisocial forces and their organizations that adversely affect social order and safety and clearly rejecting and eliminating involvement in such forces and organizations."

(2) Status of efforts for eliminating anti-social forces

- The Company has no relationship with antisocial forces or related organizations that threaten the order and safety of society. Furthermore, the Group firmly rejects any demands from them and maintains a policy of not conducting any transactions with companies, organizations, or individuals that are associated with such forces or related organizations. In the event that the Company receives undue demands from antisocial forces or related groups, the Company, under the leadership of the Legal Department, in charge of the matters, works closely with the police, law firms, etc., to ensure that the Company responds appropriately.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Not Adopted

Supplementary Explanation for Applicable Items

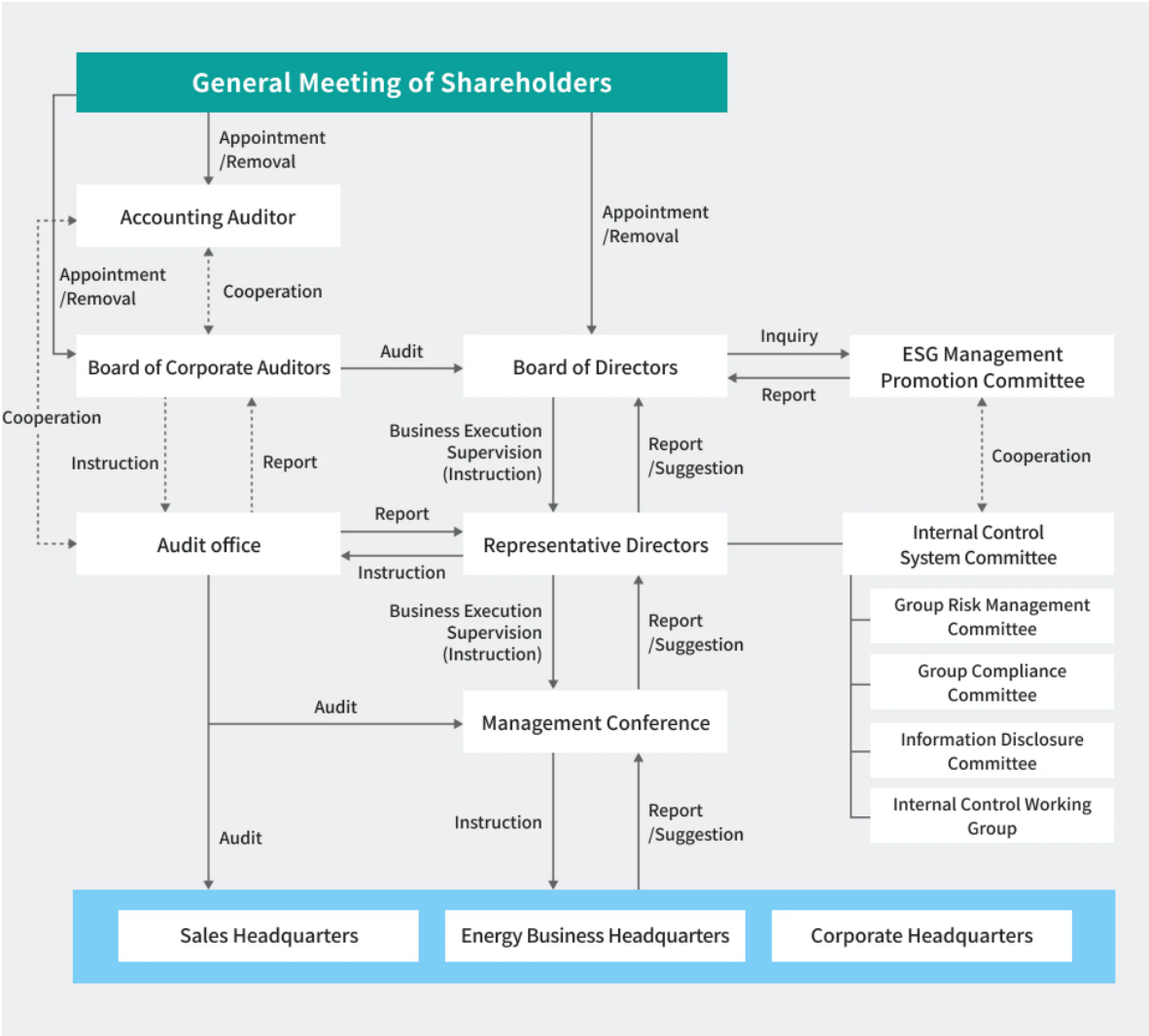
The Company abolished the corporate value enhancement plan (anti-takeover measures) at the 63rd General Meeting of Shareholders held on June 28, 2017. Even after abolishing the plan, the Company shall take appropriate measures based on the Financial Instruments and Exchange Act, the Companies Act and other relevant laws and regulations, including the efforts to secure time and information for the shareholders to conduct an examination in such a way as requesting that a person who tries to conduct a large-scale purchase of

the Company’s shares to provide necessary and sufficient information for the shareholders to use appropriate judgment regarding whether the large-scale purchase is appropriate and to disclose the opinions of the Company’s Board of Directors.

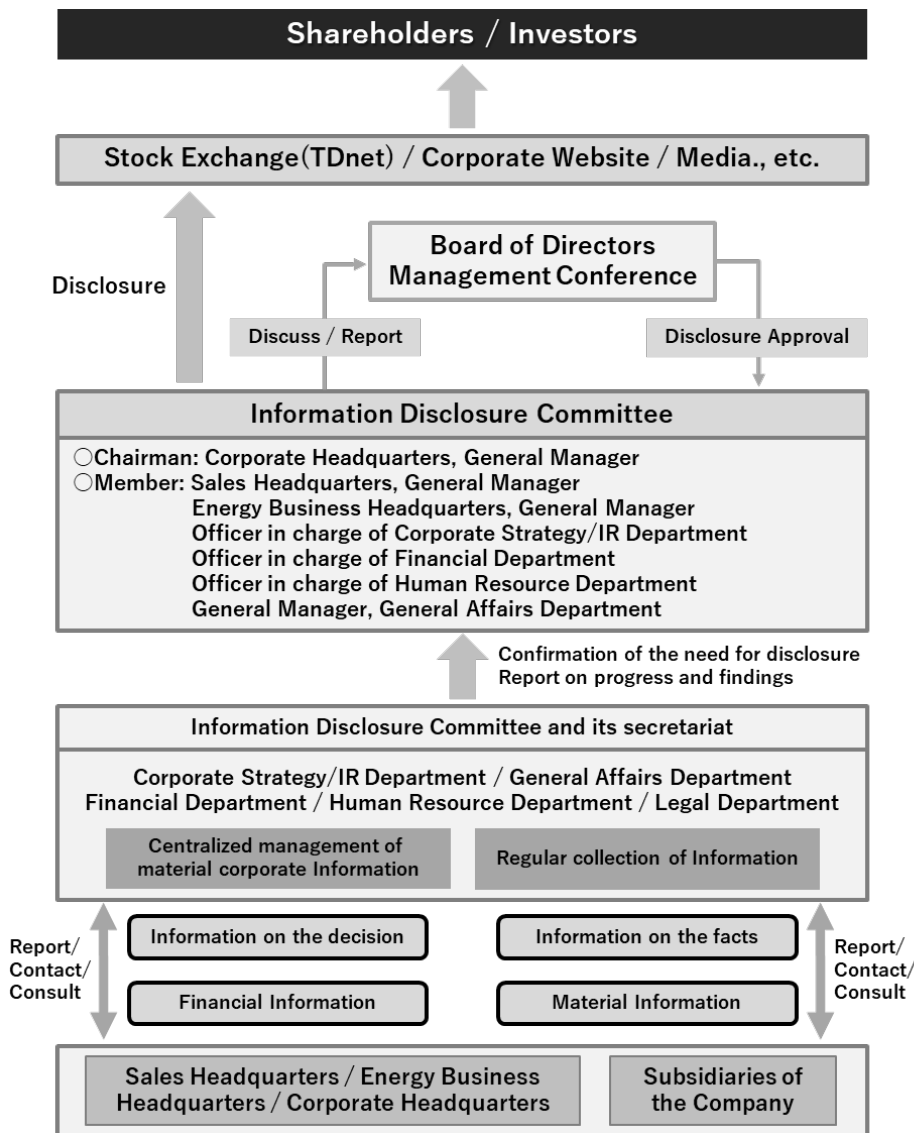
2. Other Matters Concerning the Corporate Governance System



■Corporate Governance System is as follows.



■Internal system for timely disclosure of corporate information is as follows.



1. Basic policy for the timely disclosure of corporate information

- The Company’s basic policy is to disclose its corporate information in a timely, appropriate and fair manner based on the Financial Instruments and Exchange Act and other relevant laws and regulations as well as the Securities Listing Regulations of the Tokyo Stock Exchange, recognizing that timely, appropriate, and fairly information disclosure to the stakeholders is a fundamental part of formulating a sound capital market.
- For the handling of important information under insider trading regulations, which is subject to timely disclosure, the Company established internal regulations (the Insider Trading Management Regulations) that manages important facts under insider trading regulations and clarified matters to be observed regarding the management of insider information in the Code of Conduct for the Nippon Gas Group Officers and Employees.

2. Internal systems for timely disclosure of corporate information
- The Company established the Information Disclosure Committee (Chairman: Corporate Headquarters, General Manager) to determine important information, the need for disclosure and disclosure methods. For the timely disclosure of information, Corporate Headquarters, General Manager is in charge of information on finance and accounting, and the Information Disclosure Committee is in charge of the drafting and disclosure of specific content for other information to be published according to its supervision.
 - The Company shall promptly follow procedures for registration of and disclosure on the Timely Disclosure network (TDnet) of the Tokyo Stock Exchange and will post them on its website after the registration.
- (1) Information on corporate decisions
- Information on corporate decisions shall be disclosed after the resolution of the Board of Directors or the Management Conference in accordance with the Regulations of Administrative Authority. In an emergency, it shall be disclosed by obtaining approval from the Representative Directors, Chief Executive Officer.
- (2) Information on occurrence of important matters
- If important matters concerning the operation, business or property of the Company that could have a material impact on the judgment of shareholders and investors on securities have occurred, they shall be actively disclosed by the Chairman of the Information Disclosure Committee (Corporate Headquarters, General Manager) after obtaining approval from the Representative Director, Chief Executive Officer.
- (3) Financial and other disclosure information
- Disclosure information on financial results shall be prepared by the Financial Department, which is the responsible department, and disclosed after the resolution of the Board of Directors. In addition, Corporate Strategy/IR Department shall work to improve the quality of communication with shareholders and investors by preparing supplementary materials for financial information.

Corporate Governance Guidelines

December 19, 2023

Nippon Gas Co., Ltd.

Chapter 1 General Provisions

Article 1 Purpose

The purpose of the Corporate Governance Guidelines (the “Guidelines”) is to specify the framework for and management policies regarding corporate governance of Nippon Gas Co., Ltd. (the “Company”) and the Nippon Gas Group (the “Group”) for the purpose of maintaining sustainable growth and realizing the improvement of corporate value over the medium- to long-term in accordance with the management philosophy of the Group.

Article 2 Management philosophy

The Group’s management philosophy is as described below.

(1) Contributing to Local Communities

Support lives that are more comfortable for our customers by guaranteeing safe, reliable and appropriately priced energy with a small environmental footprint through supply methods optimized for local communities, and contribute to environmental protection and disaster preparedness efforts in those communities. Furthermore, as a member of local communities, we take an active role in improving their value, and we believe that by fulfilling our tax obligations, we are also contributing to society.

(2) Aiming for Sustainable Corporate Growth

We believe that contributing to local communities and growing our customer base reinforce our business foundation, and we are working hard to improve long-term corporate value by ensuring reasonable profits and making efficient investments. Furthermore, we are striving to improve shareholder value through continual and stable dividends, accompanied by a strong internal control system.

(3) Holding Human Resources in High Regard

We believe that human resources, including our own employees, are crucial assets supporting our corporation. Operating in a manner that enables us to maximize the potential of our employees, so that we can offer services that are tailor-made for our customers, is essential to sustainable corporate growth. The happiness of our employees, business partners, and their families is the essential underpinning therein, and we aim to further improve it through our business efforts.

Article 3 Fundamental concept regarding corporate governance

The Group believes that seeking to improve sustainable corporate value based on the management philosophy described in the preceding article will build relationships of trust with and meet the expectations of shareholders, and investors, customers, business partners, employees, local communities and others (“Stakeholders”). Based on its management philosophy, the Company seeks to interactively communicate with the Stakeholders based on its management philosophy and shall make efforts to build a corporate

governance system that is effective as the basis for ensuring soundness, transparency and efficiency of its management, thereby ensuring appropriate business operations. Moreover, considering the importance of constructive dialogue with shareholders and investors and with the aim for the improvement of corporate value over the medium- to long-term, the Group shall obtain, through dialogues, their understanding of the management philosophy and grasp their positions to ensure appropriate response.

Chapter 2 Securing Rights and Equal Treatment of Shareholders

Article 4 General meeting of shareholders

The Company regards general meeting of shareholders as the highest decision-making body and shall ensure an adequate period for shareholders to exercise their rights and establish an environment in which shareholders can appropriately exercise their voting rights. Moreover, considering that meeting of shareholders is an opportunity for constructive dialogue with shareholders, the Company shall hold general meetings of shareholders at a location with good access, by avoiding as much as possible the days when general meetings of shareholders of other listed companies are concentrated. In the event that the Board of Directors determines that it is not appropriate, in light of the interests of shareholders, to hold a general meeting of shareholders at a designated venue due to the spread of an infectious disease or the occurrence of a natural disaster, the Board of Directors may hold a general meeting of shareholders without a designated venue. Furthermore, the Company shall disclose reference documents and other materials on its web pages. For shareholders who are unable to attend a general meeting of shareholders, it shall adopt the method of sending voting instructions forms to such shareholders and the method of using the Internet.

2. If a shareholder indicates in advance his/her intention to exercise voting rights of shares held under the name of a trust and banking company, etc., the Company shall discuss the treatment of the matter with the trust and banking company, etc. Diverse exercise of voting rights at a general meeting of shareholders based on instructions from a real shareholder is currently made available by the Company.
3. Taking into consideration the ratio of institutional investors and overseas investors in its shareholders, the Company shall introduce a platform for electronic exercise of voting rights and disclose English version of notice of convocation of general meeting of shareholders (reference materials) on its web pages.
4. In the event that a substantial number of negative votes has been cast at a general meeting of shareholders against a proposal by the Company, it shall analyze the reasons for the opposing votes from the substantial number of shareholders at a meeting of the Board of Directors held after the close of the general meeting of shareholders and take measures for response, including referring to policies of voting advisory companies, etc.

Article 5 Securing equal treatment of shareholders

The Company shall hold financial results briefings and business strategy meeting for institutional investors no less than four times a year and no less than twice a year, in principle, respectively, and with regards to

business strategy meeting, post the video of the briefings on its web pages for viewing by minority shareholders. Moreover, regarding rights of minority shareholders prescribed by the Companies Act, the Company shall give due consideration in facilitating exercise of minority shareholder rights by stipulating the method of exercising their rights in its Share Handling Regulations.

2. In order to substantially secure equal treatment of all shareholders and contribute to safeguarding their rights and appropriate exercise of their rights, the Company shall implement necessary information disclosure as appropriate by providing documents whose disclosure is legally required and by posting information, including English translation, on its web pages and integrated reports.

Article 6 Capital policies

Regarding capital policies, which are targeted at raising the optimum amount of capital that will maximize the performance of shareholders' equity, the Company shall raise capital based on the stage of its business. The Company shall also increase the performance of shareholders' equity by allocating cash generated from its business to investments to enhance its corporate value in the medium- to long-term and strengthening shareholder returns.

The Company shall provide explanations of its capital policies through individual investor relations interviews, financial results briefings held twice a year in principle, business strategy meeting, integrated reports and other means.

Article 7 Cross shareholding

The Company has a policy of not holding its cross shareholdings, in principle, and cross-holds shares for strategic holding purposes only if doing so is deemed to be consistent with the Group's medium- to long-term strategies.

Article 8 Protection of shareholders' rights

With respect to a capital policy that results in change of control or significant dilution, the Board of Directors, including Outside Directors, shall discuss the necessity and reasonableness of the said policy and hear opinions of Corporate Auditors, including Outside Auditors, before adopting a resolution so as to prevent existing shareholders' interest from being unjustly impaired. Moreover, the Company shall provide sufficient explanation to shareholders regarding the capital policy that it would contribute to the improvement of corporate value of the Company.

Chapter 3 Relationships with Stakeholders

Article 9 Code of conduct

The Company established the Code of Conduct for the Nippon Gas Group Officers and Employees for the Group's stakeholders to realize the Company's management philosophy. To foster a corporate culture and

climate in which the rights and interests of stakeholders are respected, each of the Officers and employees shall recognize the importance of conducting sound business activities in compliance with laws, regulations and social norms. The Company believes that this business attitude will build positive workplaces and sound trade relations as well as contribute to the development of society and lead to the earning of a high degree of trust and recognition from society through the Group's business activities.

Article 10 Related party transactions

In planning a transaction with Officers, major shareholders or other related parties, the Company shall observe the Companies Act, other relevant laws and regulations, the Regulations of the Board of Directors and other internal rules and obtain the approval of the Board of Directors, as necessary. The approval of the Board of Directors shall be subject to confirmation of the appropriateness and economic rationality of the contemplated transaction, including whether the content thereof is based on general trading conditions.

2. When a transaction approved by the Board of Directors is executed, the content thereof shall be reported at a meeting of the Board of Directors in accordance with the Companies Act, other relevant laws and regulations, the Regulations of the Board of Directors and other internal rules. The Company established a monitoring system for preventing the exacerbation of concerns that the interests of the Company and common interests of shareholders would be impaired.

Article 11 Performance of functions as asset owner of corporate pensions

The Company is not considered an asset owner of corporate pensions because the Company has not introduced a corporate pension system.

Article 12 Relationships with Stakeholders

The Group considers that amicable relationships with shareholders are important for sustained growth of a corporation and this concept is stipulated in the Group's management philosophy.

2. The Group believes that the utilization of diverse human resources can be a significant engine for a corporation's growth.
3. The Group shall establish the Group Help Line (internal contact: Audit Office, external contact: a law firm, corporate auditor's contact: a Full-time Corporate Auditors), an internal whistle-blowing system, by establishing the Group Helpline Regulations. The Group shall also increase the effectiveness of the compliance promotion system by developing a system to identify, avoid and minimize risks at an early stage and prevent their repetition by explicitly stipulating in internal rules that maximum consideration shall be given to the the privacy of whistle-blowers such as the Group's Officers and employees, that the details of whistle-blowing shall be kept confidential and that dismissal or any other retaliation against a whistle-blower shall be prohibited. The Group shall establish the Group Help Line (internal contact: Audit Office, external contact: a law firm), an internal whistle-blowing system. The Group shall also increase the effectiveness of the compliance management promotion system by developing a system to discover, avoid and minimize risks at an early stage and prevent their repetition by explicitly stipulating in internal rules that the

confidentiality and identity of whistle-blowers is to be protected and that dismissal or any other retaliation against a whistle-blower is prohibited.

Chapter 4 Information Disclosure

Article 13 Information disclosure

Considering that disclosure of important financial and non-financial information regarding company management to the extent possible is necessary for obtaining the appropriate understanding of Stakeholders, the Company shall implement timely and appropriate information disclosure pursuant to the Companies Act, the Financial Instruments and Exchange Act, other relevant laws and regulations and the rules prescribed by the Tokyo Stock Exchange, proactively and positively engage in information provision, other than disclosure required under laws and regulations, and ensure that information provided by the Company is accurate, clear and highly useful for all the stakeholders.

Chapter 5 Corporate Governance System

Article 14 Institutional design

The Company regards the enhancement of objective and transparent management, the realization of Stakeholder satisfaction through the fulfilment of its management philosophy and the permanent improvement of corporate value as important management tasks.

2. In accordance with the provisions regarding corporate governance structure under the Companies Act, the Company has elected to operate as a company with a board of corporate auditors. It shall maintain an optimized governance system that is highly transparent to Stakeholders by ensuring that the Board of Directors, which includes no less than two Outside Directors, makes final decisions regarding important issues through effective use of Corporate Auditors' functions based on close collaboration with the Board of Corporate Auditors, which includes no less than two Outside Corporate Auditors, and enhancing the function to supervise management.
3. In addition to the Board of Directors, the Company shall also establish Management Conference to which the authority for the execution of business realizing the content of its resolutions is to be delegated. Moreover, the Company shall establish the ESG Management Promotion Committee, a voluntary advisory committee for securing the effectiveness of the Board of Directors by strengthening the independence, objectivity, fairness and accountability of the Board of Directors. Based on these systems, the Company shall realize the sustained corporate value improvement through the evolution of its offensive and defensive management and by quickly and flexibly responding to changes in the business environment, with the Group working together as one.

Article 15 Roles and responsibilities of the Board of Directors

The Board of Directors comprises Internal and Outside Directors, and it shall be an appropriate size that enables prompt and proper decision making and supervision on a continuous basis.

2. Matters to be referred for discussion in meetings of the Board of Directors shall be stipulated in the Regulations of the Board of Directors and the Board shall deliberate and decide on the said matters. Moreover, the Company advances the transfer of authority to Management Conference and departments responsible in accordance with the Regulations of Management Conference and the Regulations of Administrative Authority in order to expedite decision making in the execution of business. The Board of Directors oversees the effectiveness of overall business operations in order to promote efficient business execution.
3. The Board of Directors shall communicate major directions in corporate strategies and management plans, etc. based on the management philosophy and provides an environment that supports the management team to assume appropriate levels of risk.
4. The Board of Directors shall formulate a management plan for the current fiscal year according to changes in the business environment and shall confirm the degree of attainment of the said plan. If there is a shortfall, its causes and corrective measures shall be disclosed in reports, etc. and reflected in the management strategies and management plan for the next fiscal year.
5. For internal control, the Company established the Internal Control System Committee as well as the Group Compliance Committee, the Group Risk Management Committee, the Information Disclosure Committee and the Internal Control Working Group as a subordinate organ of the Internal Control System Committee to promote the development and management of internal control systems under which business operations are executed in a lawful and efficient manner. In addition, the Internal Control Working Group oversees internal control over financial reporting and appoints its members to assess the development and operation of Group-wide control and of each business process. The evaluation committee members are selected at each consolidated subsidiary to report progress in the assessment of development and operation and to discuss the implementation status of monitoring and improvements in assessment results, etc. The Board of Directors of the Company shall assess the status of managing internal control systems and review matters for improvement in accordance with the basic policy for internal control systems under the Companies Act. In addition, the Board of Directors shall submit internal control reports based on the Financial Instruments and Exchange Act to the Board of Directors to confirm that internal controls are effective.
6. The Board of Directors shall formulate the Company's final policy on sustainability initiatives as discussed by the ESG Management Promotion Committee and supervise the execution of operations in accordance with such policy.
7. To implement the matters described in the preceding paragraphs, the Board of Directors shall have a structure with an optimal scale that allows diversity and consists of members who have extensive knowledge, experience and capabilities in a balanced way.

Article 16 Operation of the Board of Directors

The operation of the Board of Directors shall be stipulated in the Regulations of the Board of Directors.

2. A meeting of the Board of Director shall be conducted by a chair in such a manner that promotes and ensures free, vigorous and constructive exchanges of opinions, discussion about issues and questions presented by the Outside Directors or Outside Corporate Auditors.
3. The secretariat of the Board of Directors shall deliver meeting materials by email in advance, and provide other information as necessary, upon request from Outside Directors or Outside Corporate Auditors.
4. Schedules for meetings of the Board of Directors shall be determined in an annual plan upon consent of each Director and Corporate Auditor.

Article 17 Roles of Corporate Auditors and the Board of Corporate Auditors

Based on the recognition of their fiduciary responsibility to shareholders and with the aim for continuous improvement of corporate value of the Company, Corporate Auditors shall audit, as an independent organ, the Directors' performance of their duties.

2. To ensure fair decision making, Corporate Auditors shall participate in meetings of the Board of Directors, examine contents of agenda and provide advice for facilitating discussions. Moreover, Corporate Auditors shall provide information to and exchange opinions with Outside Directors at meetings of the Board of Directors and through other opportunities for the purpose of contributing to Outside Directors' efforts to collect information.
3. Corporate Auditors shall implement the following measures as initiatives for improving audit functions:
 - (1) Exchange of information, etc. in collaboration with the Audit Office and the accounting auditor and by holding Three-Way Auditing; and
 - (2) Full-time Corporate Auditors shall conduct audits of lawfulness of the Company's business operations by means of participation and presentation of opinions in the Management Conference, Internal Control System Committee and other important meetings, on-site audits of the Company's business offices, exchange of opinions with Representative Directors, interviews with Executive Officers and division managers and inspection of important management documents and through the use of various other methods, according to audit policies and plans determined by the Board of Corporate Auditors.
4. The Board of Corporate Auditors shall consist of all Corporate Auditors including the Outside Corporate Auditors and it shall prepare audit reports. In addition, the Board shall determine in accordance with laws and regulations and the Articles of Incorporation, etc. various matters, including audit policies and methods of investigating the status of the Company's business operations and financial affairs and other matters concerning the Corporate Auditors' performance of their duties.
5. The Company shall appoint one or more Corporate Auditor who has appropriate knowledge and insight regarding financial affairs and accounting.
6. The Board of Corporate Auditors shall seek to collaborate with Audit Office and managers of each department in conducting audits and with accounting auditors' firm to hold regular discussions.

Article 18 Responsibilities and obligations of Directors and Corporate Auditors

Recognizing their fiduciary responsibility to shareholders, Directors and Corporate Auditors shall hold dialogues with Stakeholders through various opportunities and conduct themselves based on the shared perspective that improvements in corporate value will contribute to the common interests of shareholders.

Article 19 Roles and responsibilities and obligations of Independent Outside Directors

Based on their professional knowledge and experiences, Independent Outside Directors of the Company shall participate in discussions about agenda submitted to the Board of Directors, including those regarding management policies, measures for improving management, investment, personnel matters (appointment and dismissal of top-level executives) and approval of conflict-of-interest transactions, express opinions based on their own knowledge and insight and engage in voting, thereby conducting supervision over important decision making, etc. of the Board of Directors. Moreover, Independent Outside Directors shall monitor any conflict of interests between the Company and the management team or controlling shareholders, etc. and express their opinions regarding agenda, etc. involving minority shareholders, etc., from their standpoint independent from the management team.

Article 20 Accounting auditor

The Board of Corporate Auditors shall formulate criteria for the selection and assessment of accounting auditors in the Regulations of the Board of Corporate Auditors and confirm the independence and expertise of the accounting auditor by taking into consideration the opinions of Outside Corporate Auditors.

2. The Board of Corporate Auditors shall endeavor to secure audit schedules and systems and ensure the implementation of appropriate audits by the accounting auditor.
3. The accounting auditor, the Board of Corporate Auditors and Audit Office shall hold Three-Way Auditing regularly (on a quarterly basis, in principle). Moreover, at the request of the accounting auditor, interviews shall be held, as appropriate.
4. In the event that the accounting auditor finds fraud, defects, etc., it shall report to the Board of Corporate Auditors. The Company shall establish a system under which opinions of the Board of Corporate Auditors and lawyers shall be sought depending on the importance of these issues and such events shall be disclosed promptly as necessary.

Article 21 Policies and procedures for appointment and dismissal of Directors, etc. and nomination of candidates for Directors and Corporate Auditors

Candidates for Directors, man Executive Officers (“Directors, etc.”) and Corporate Auditors shall be nominated from among those persons, regardless of gender, age and nationality, who can fully carry out their duties and responsibilities by sufficiently taking into consideration each candidate’s personality, knowledge, insight, etc. All Executive Officers shall be mandate-based Executive Officers.

2. The ESG Management Promotion Committee shall submit a proposal for the nomination and the dismissal of candidates for Directors and the dismissal of Directors to the Board of Directors after discussions in

accordance with standards formulated by the Committee, an advisory body to the Board of Directors. Upon deliberation in a meeting of the Board of Directors, the proposal may be approved by the Board. In addition, the ESG Management Promotion Committee shall submit a proposal for the nomination of candidates for Corporate Auditors and dismissal of Corporate Auditors to the Board of Corporate Auditors after discussions in accordance with standards formulated by the Committee, an advisory body to the Board of Directors. Upon obtaining the consent of the Board of Corporate Auditors, an explanation of the reasons for the proposal shall be provided in a meeting of the Board of Directors. The proposal may be approved by the Board of Directors after deliberation. Proposals for the appointment of candidates for Directors and Corporate Auditors and the dismissal of Directors and Corporate Auditors which have been approved by the Board of Directors shall be submitted to a general meeting of shareholders.

3. Criteria for assessing the independence of outside Officers of the Company shall be governed by the independence standards prescribed by Tokyo Stock Exchange.
4. At least two Independent Outside Directors shall be appointed as part of the members of the Board of Directors.
5. Career backgrounds, etc. of each Director and Corporate Auditor and reasons for the election of candidates for Outside Directors and Outside Corporate Auditors shall be disclosed in reference materials attached to notices of general meeting of shareholders and integrated reports, etc. Reference materials attached to notices of general meeting of shareholders shall be posted under IR News on the Company's web pages. In addition, career summaries, etc. of mandate-based Executive Officers shall be described in integrated reports.

Article 22 Policies and procedures for determining remuneration for Directors, etc.

In accordance with internal standards of the Company, performance-linked portions are included in the monthly compensation of Directors, etc. Remuneration for Directors, etc. is determined by the Representative Director, Chief Executive Officer and the Officer in charge of the Human Resource Department, who receive a mandate from the Board of Directors based on the evaluation of independent outside evaluators with deep insights into management, after receiving the approval from the ESG Management Promotion Committee. Moreover, the Company has introduced a BIP (Board Incentive Plan) trust system under which stock-based compensation comprises a certain ratio of remuneration with the aim that the Directors, etc. share common interest with shareholders over the medium- to long-term.

Chapter 6 Preconditions for Ensuring Effectiveness of the Board of Directors and the Board of Corporate Auditors

Article 23 Concurrent holding of positions

The status of concurrent holding of important positions by Directors and Corporate Auditors and by candidates for Directors and Corporate Auditors shall be disclosed in notices of general meeting of

shareholders and securities reports.

Article 24 Assessment of effectiveness of the Board of Directors

Each Director of the Company shall conduct a self-assessment of the performance of his/her own duties, etc. every fiscal year and receive an appraisal upon an interview with an independent third-party expert (member of evaluation committee) based on the self-assessment. Moreover, with the involvement of the third party, the Board of Directors shall receive, from Outside Directors and Outside Auditors, an assessment of the effectiveness of the Board on items such as 1) the structure and operation of the Board of Directors, 2) strategies and implementation, 3) risk and risk management and 4) Corporate Ethics 5) dialogue with shareholders. The Board of Directors shall then analyze and assess the overall effectiveness of the Board each year, by referring to the above-mentioned appraisal of Directors by the independent third-party expert (member of evaluation committee) based on each Director's self-assessment and the assessment of the effectiveness of the Board by the Council of Independent Officers. The Board shall disclose the summary of results of the said analysis and assessment.

Chapter 7 Obtainment of Information and Support System

Article 25 Access to internal information by Directors and Corporate Auditors

Directors and Corporate Auditors may obtain information regarding the Company as necessary.

2. The contact point for requests for documents from Outside Directors and Outside Corporate Auditors shall be the secretariats of the Board of Directors and the Board of Corporate Auditors.
3. The Company shall establish a system to ensure that Outside Directors, Corporate Auditors or the Board of Corporate Auditors may seek advice from outside specialists at the expense of the Company when it is deemed necessary for the performance of their duties.

Article 26 Policy for training of Directors and Corporate Auditors

The Company has set the rule that a Director shall acquire information, knowledge and insight required as an Officer of the Company by utilizing external training, etc. The Company shall support the training by bearing the training cost. In addition, compliance training sessions shall be given to Directors and Corporate Auditors by a corporate lawyer at least once a year. Moreover, several Directors shall be dispatched to a higher-level specialized training institution each year with the aim of developing their competencies for becoming members of the management team in the future. Further, in order to help Outside Directors and Outside Corporate Auditors to fully perform their functions, the Company shall provide, on a continuous basis, information regarding the status of the business, financial affairs, organizations, etc. of the Group to respective Outside Directors and Outside Corporate Auditors according to their job functions. Corporate Auditors of the Company shall become members of Japan Audit & Supervisory Board Members Association and participate in various training sessions held by the Association.

Chapter 8 Policy on Constructive Dialogue with Shareholders

Article 27 Dialogue with shareholders

Based on the recognition that seizing opportunities for constructive dialogue with shareholders, in addition to general meetings of shareholders, is important in achieving sustained growth and improving corporate value over the medium- to long-terms, the Company shall create various opportunities for such dialogues. According to the Company's basic policies, Representative Directors and other Officers shall listen to shareholders, provide easy-to-understand, explicit explanations of the management policy and endeavor to appropriately handle dialogue with shareholders.

2. Senior Managing Executive Officer, Corporate Headquarters, General Manager, and General Manager, Corporate Strategy/IR Department shall be responsible for receiving requests for interviews from shareholders, investors, etc. and shall make arrangements so that Representative Director, Chief Executive Officer and other Officers positively respond to such requests. In addition, the Company established a section dedicated to investor relations within Corporate Headquarters in order to provide support regarding financial affairs, business, legal affairs, etc., including those of affiliated companies. In addition to individual interviews, the Company shall hold financial results briefings four times a year and business strategy meeting two times a year and post the video of the briefings under IR News on its web pages. Moreover, it shall invite investors to hold IR events at random times. Further, useful opinions and requests from shareholders and investors acquired through its investor relations activities and management issues shall be appropriately reported to the management team, the Board of Directors, etc. to use them for business improvement.
3. In implementing these initiatives, the Company shall not transmit any unpublished important facts to shareholders in dialogues with them from the perspective of complying with insider trading regulations, etc.

Article 28 Formulation and announcement of management strategies and plans

In light of changes in the world such as the liberalization of energy, diversifying needs and lifestyle changes, the Company shall explicitly disclose its basic strategies based on expected capital costs. Basic strategies and earnings plans for the medium- to long-term based on the basic strategies shall be disclosed in the Company's integrated reports, etc.

Chapter 9 Establishment, revision and abolition

Article 29 The establishment, revision and abolition of these Guidelines shall require a resolution of the Board of Directors.

Established on January 27, 2016
Revised on June 28, 2017
Revised on June 28, 2018
Revised on December 13, 2018
Revised on June 24, 2020
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