

# Corporate Governance Guidelines

June 24, 2021

Nippon Gas Co., Ltd.

## Chapter 1 General Provisions

### Article 1 Purpose

The Corporate Governance Guidelines (the “Guidelines”) 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

We shall support lives that are more comfortable for 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 shall take an active role in improving their value, and we believe that by fulfilling our tax obligations, we also contribute to society.

#### (2) Aiming for sustained corporate growth

We believe that contributing to local communities and growing our customer base reinforce our business foundation, and we shall work hard to improve medium- to long-term corporate value by ensuring reasonable profits and making efficient investments. Furthermore, we strive 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 increase corporate value based on the management philosophy described in the preceding article will build relationships of trust with and meet the expectations of shareholders, customers, business partners, employees, local communities and others (“Stakeholders”). For the realization of the management philosophy, the Group 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. 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 translation 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 twice a year, in principle, and 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 entirely abolishing its cross shareholdings, in principle, and cross-holds shares for strategic purposes only if doing so is deemed to be consistent with the Group's medium- to long-term strategies.

2. In addition to the disposition and reduction of the Company's cross shareholding, for the purpose to enhance discipline to its corporate management, the Company shall also actively work on and encourage other companies which hold the Company's shares to reduce them and to dissolve cross shareholdings.
3. In exercising its voting rights of cross-held shares, the Company shall approve an agenda if it

is deemed to contribute to the improvement of the value of the shares held by the Company and its corporate value and shall reject an agenda if it damages such values.

#### 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 has 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 has 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, customers, business partners, employees, local communities and various other Stakeholders 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), an internal whistle-blowing system, by establishing the Group Helpline Operating 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 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 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 growth of corporate value 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 Inside 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 shall analyze and assess the overall effectiveness of the above process and disclose summaries of assessment results.

3. The Board of Directors shall communicate major directions in corporate strategies and management plans, etc. based on the management philosophy and provide 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 has 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. To ensure the implementation of 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 Representative Director, Chief Executive Officer shall submit a proposal for the nomination of candidates for Directors and the dismissal of Directors to the Board of Directors after discussions in accordance with standards formulated by the ESG Management Promotion 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 Representative Director, Chief Executive Officer 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 ESG Management Promotion 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) 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 primary contact point for requests for documents from Outside Directors and Outside Corporate Auditors shall be General Affairs Department or Audit Office.
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 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. The Officer in charge of investor relations 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 has 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 and business strategy meeting twice a year and post the video of the briefings under IR News on its web pages. Moreover, it shall invite investors to hold business operations briefings 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  
Final revision on June 24, 2021