

Last Update: June 24th, 2021
NIPPON GAS Co., Ltd.
Shinji Wada
Representative Director, Chief Executive Officer
Securities Code: 8174
<https://www.nichigas.co.jp/en/>

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 readiness to give up what we have” and “an intention to create change” while ensuring “management discipline” will lead to the enhancement of corporate value, and it has developed the corporate governance system as a mechanism to achieve this goal.

In addition, 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 (the “Stakeholders”) is essential. The Company seeks to interactively communicate with the Stakeholders based on its management philosophy. In particular, for constructive dialogues with shareholders and investors, the Company has developed a system to allow the Representative Director, Chief Executive Officer 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. Moreover, useful opinions acquired through dialogues with shareholders are shared by the Board of Directors and discussed by the Board members.

<Management Philosophy>

(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.

Based on the management philosophy, the Company has established a framework and an operation policy to achieve the medium- to long-term enhancement of corporate value in the following “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 4-3-② and ③] (Objective, Timely and Transparent Procedures for Appointment and Dismissal of CEO)

The Representative Director, Chief Executive Officer 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 examine the system and standards for the successor plan (including the cultivation of the successor) in the ESG Management Promotion Committee (mentioned below) based on the purpose of revised Corporate Governance Code in June 2021.

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

The Company does not establish a Nomination Committee and a Remuneration Committee but discusses remuneration for Directors and Executive Officers and ESG management at the ESG Management Promotion Committee, which comprises Independent Outside Directors as its main constituent members, as an independent voluntary advisory committee. With this committee structure, the Company will continue to deepen discussions about remuneration for Directors and Executive Officers and ESG management in the future and discuss the nomination of the Chief Executive Officer (CEO) and others and the successor plan

(planning) based on the revised Corporate Governance Code in June 2021.

[Disclosure Based on the Principles of the Corporate Governance Code]

[Principle 1-4] (Cross Shareholding)

The Company was among the first to undertake a review of its cross shareholdings, in the fiscal year ending March 31, 2017.

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

The Company began dissolving cross shareholdings, mainly with financial institutions in which the Company had a large balance of holdings. From the fiscal year ending March 31, 2021, the Company took steps to reduce its cross shareholdings, going further than ever, by adding gas equipment manufacturers that are strongly linked to the Company's energy business to the targets for a review of cross shareholdings. As a result, the Company sold stocks in 18 companies for four years from the fiscal year ending March 31, 2018 to the fiscal year ending March 31, 2021, reducing the balance of its holdings by about 96% compared with the fiscal year ending March 31, 2017.

② Reduction of the Company's stocks held by other companies (cross shareholdings)

In addition to reducing its own holdings, the Company also actively encourages companies who hold the Company's stocks as cross shareholding to reduce their holding, to promote the dissolution of cross shareholdings. Since the fiscal year ending March 31, 2017, important business partners including financial institutions have agreed with the Company's policy and have been moving forward with the sale of the Company's shares. From the fiscal year ending March 31, 2021, the Company has encouraged gas equipment manufacturers, among others, to proceed with the sale of the Company's stocks. For the four years from the fiscal year ending March 31, 2018 to the fiscal year ending March 31, 2021, approximately 10 million stocks (*), equivalent to one fourth of the Company's issued shares, have been sold on the market. (*) The Company conducted a three-for-one share split of its ordinary stock on April 1, 2021. The said number of shares is before the share split.

The Company plans to complete the entire reduction of cross shareholdings stocks held by it and its stocks held by others as cross shareholdings stocks during the fiscal year ending March 31, 2022, which is the final stage of this initiative. 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) *Based on the revised Corporate Governance Code in June 2021.

Based on the revised Corporate Governance Code in June 2021, the Company will sincerely advance its efforts as an energy company to address issues such as action on climate change and will deepen discussions on them as important management issues that can lead to earnings opportunities.

[Principle 2-4] (Ensuring Diversity, Including the Active Participation of Women) *Based on the revised Corporate Governance Code in June 2021.

Based on the revised Corporate Governance Code in June 2021, the Company will further promote the diversity of personnel.

[Supplementary Principle 2-4-①] (Ensuring diversity in promotion to core human resources, etc.) *Based on the revised Corporate Governance Code in June 2021.

The Company will conduct a survey of its female Officers and employees on their attitudes, and based on the results of the survey plans to disclose its policies and measurable goals by the end of 2021 by advancing discussions on ensuring and promoting diversity at the ESG Management Promotion Committee.

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

The Company does not fall under an asset owner of corporate pension because the Company does not adopt a corporate pension system.

[Principle 3-1] (Appropriate Information Disclosure and Ensuring of Transparency) *Based on the revised Corporate Governance Code in June 2021.

The Company conducts the independently minded transmission of information by making the following disclosures. In addition, based on the revised Corporate Governance Code in June 2021, the Company will actively disclose its initiatives on sustainability and investments in human capital and intellectual properties, etc.

(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 financial results briefings, etc.

- Management philosophy: "Management Philosophy" on the Company's website (URL: <https://www.nichigas.co.jp/en/corporate/philosophy/>)
- Management strategies and management plans: "Message from the President" on the Company's website (URL: <https://www.nichigas.co.jp/en/corporate/greeting/>) , integrated reports (URL: <https://www.nichigas.co.jp/en/ir/library/annual/>) , and "Financial Statements Explanatory Meeting" (URL: https://www.nichigas.co.jp/en/ir/library/results_briefing/)

(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 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 67th Ordinary General Meeting of Shareholders is posted in “IR Events” on the Company’s website (URL: https://www.nichigas.co.jp/en/ir/ir_news/). In addition, career summaries, etc., of mandate-based Executive Officers are posted in integrated reports.

[Supplementary Principle 3-1-③] (Initiatives on sustainability, etc.) *Based on the revised Corporate Governance Code in June 2021.

The Company explained its initiatives on sustainability and investments in human capital, etc., in the integrated reports and the Business Strategy and ESG Explanatory Meeting held on May 17, 2021. Based on the revised Corporate Governance Code in June 2021, the Company will promote disclosure consistent with its own management strategies and issues in a more understandable manner. In addition, with respect to the impact of climate change-related risks and earnings opportunities on the Company, the Company discloses the status of its initiatives, risks and opportunities based on the TCFD recommendations in the integrated report 2020, and based on the revised Corporate Governance Code in June 2021, the Company will further enhance the quality and quantity of disclosure based on the framework of TCFD, 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) *Based on the revised Corporate Governance Code in June 2021.

The Company explained its sustainability initiatives at the Business Strategy and ESG Explanatory Meeting held on May 17, 2021 based on the revised Corporate Governance Code in June 2021. In addition, the Board of Directors supervises the allocation of management resources and the implementation of business portfolio strategies.

[Supplementary Principle 4-3-④] (Roles and Responsibilities of the Board of Directors) *Based on the revised Corporate Governance Code in June 2021.

Based on the revised Corporate Governance Code in June 2021, the Company will strive to ensure compliance.

[Principle 4-8] (Effective Use of Independent Outside Directors) *Based on the revised Corporate Governance Code in June 2021.

Based on the revised Corporate Governance Code in June 2021, the Company will discuss the use of Independent Outside Directors.

[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 and appoints independent Outside Directors with different careers such as a certified public accountant with deep insights into accounting and finance and a person with experience in investment and loans who is also familiar with overseas business and the participation in management of an operating company. Moreover, the Company appoints a lawyer specializing in company law and risk management, etc., and an experienced certified public accountant with in-depth knowledge in management as an independent Outside Corporate Auditor.

[Supplementary Principle 4-11-①] (Views on the Structure of the Board of Directors and the Audit Committee) *Based on the revised Corporate Governance Code in June 2021.

The majority of the Company's board members (including our corporate auditors) are outside directors and outside corporate auditors. The Company appoints candidates with a wealth of experience and a high level of knowledge and expertise to the positions of directors and corporate auditors. This is aimed at improving its corporate value with high-level supervision of decision-making and about company-wide strategies for medium- to long-term growth and its agile business execution. In addition, 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

Four inside members and five outside members	Management strategy	Sales	Experience and operations in the industry	DX strategy and technology	Innovation and alliance	Financial affairs and accounting	Legal affairs and risk management	ESG management
Shinji Wada, Representative Director, Chief Executive Officer	◎	◎	◎	◎	◎			◎
Daijo Watanabe, Representative Director, Senior Managing Executive Officer	◎	◎	◎		○	○		○
Kunihiko Kashiwaya, Representative Director, Senior Managing Executive Officer	◎			○	○	◎	◎	○
Takashi Ide, Director (Outside)	○					◎		◎
Tetsuo Kawano, Director (Outside)	○		○			◎		○
Katsuhiko Ando, Full-time Corporate Auditor							◎	○
Tsuyoshi Yamada, Corporate Auditor (Outside)				○			◎	◎
Katsuhisa Nakashima, Corporate Auditor (Outside)	◎	○				◎		◎
Yuko Gomi, Corporate Auditor (Outside)							◎	◎

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)

In the Company, the Directors other than Outside Directors do not concurrently hold positions as Officers at other listed companies. The Company discloses concurrent positions of Outside Directors and Corporate Auditors at other listed companies in annual securities reports, etc. However, 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 ending March 31, 2021, the Company received an assessment from an independent expert (evaluator) that the Directors have met the standards.

○Regarding the evaluation of effectiveness of the Board of Directors in the fiscal year ending March 31, 2021, 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.

- Actively having dialogues with shareholders and other stakeholders and utilizing the content of the dialogues for management and business strategies, etc.
- Monitoring performance indicators based on management strategies and policies.
- Evaluation indicators of the management team are based on management strategies and policies.

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:

- Extend matters to be reported to further strengthen the monitoring function
- Identify risks according to the progress of management strategies and business plans
- Enhance the content of situation report at ESG Management Promotion Committee
- Further deepen discussions from a broad perspective at the Board of Directors meetings

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) *Based on the revised Corporate Governance Code in June 2021.

Based on the revised Corporate Governance Code in June 2021, the Company will promote the establishment of a system.

[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) *Based on the revised Corporate Governance Code in June 2021.

Based on the recognition that constructive dialogues with shareholders and investors on occasions other than general meetings of shareholders are important for sustained growth and the medium- to long-term

enhancement of corporate value, the Company provides a number of opportunities for such dialogues. The Company has developed systems in such a way that the Representative Director, Chief Executive Officer and other Officers actively respond to the dialogues and that the department in charge of investor relations responds to individual interviews as a contact. In addition, useful opinions acquired through dialogues with shareholders are appropriately shared by the Board of Directors and discussed by the Board members.

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 Officer in charge of the Corporate Strategy/ IR Department and the Financial Department provides explanations. 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. 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/results_briefing/). In the fiscal year ending March 31, 2021, the Company carried out IR activities based on specific themes, including the LPG Network Service, electricity business, and DX. The person responsible for executing each project explained their theme.

■Theme-based IR activities

Theme	Main speaker	Descriptions	Number of investors who participated
DX initiatives	Shinji Wada , Representative Director, Chief Executive Officer	The DX initiatives we are advancing (an overview), the strengths of our platform, the improvement of the efficiency of the industry as a whole, our strong will to lead DX initiatives and improve corporate value, and others	10
LPG network service	Keiichi Yoshida , Senior Executive Officer, Energy Business Headquarters General Manager Junichi Morishita , Managing Executive Officer, Energy Business Headquarters Deputy General Manager	The strengths of our LP Gas operations, our cost advantages over other companies, our approach to the concept of the LPG network service and its profitability, the reasonability of other companies’ use of the service, and others (The two people at left are responsible for the LPG network service.)	13
Customer Acquisition in the LP Gas industry Electricity	Shinichi Kiyota , Executive Officer, Corporate Headquarters In charge of Corporate Strategy/IR Department Financial Department Yasuhiro Shimizu , General Manager of Electricity Business Department (Transferred from TEPCO Energy Partner)	Outline of the LP Gas industry, characteristics of players in the industry, reasonability of accelerating consolidation, NICIGAS Customer Acquisition strategy, and others Strengths of our Electricity Business, rate design based on business strategy, strategy for increasing the number of customers, vision for growth, and others	15
DX initiatives	Yuki Matsuda , Executive Officer, Energy Business Headquarters General Manager, Information Technology Department	The roles DX plays in our efforts to achieve our future vision, the latest technologies we apply in the utilization of data, and others	43
ESG	Shinichi Kiyota , Executive Officer, Corporate Headquarters In charge of Corporate Strategy/IR Department Financial Department	Our approach to ESG and related initiatives, governance reforms aimed at ensuring fair competition and transparency to improve corporate value, ways to address environmental and social issues using platform alliances, and others	41

*The positions of the main speakers are as of the IR meetings.

Based on the revised Corporate Governance Code in June 2021, the Company will continue to develop the internal systems for constructive dialogue with shareholders.

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)

*Based on the revised Corporate Governance Code in June 2021.

Based on the revised Corporate Governance Code in June 2021, the Company will provide clear explanations about the business portfolio. The Company has already explained its strategy of classifying total assets into high profit generating assets, low profit generating assets and other, and concentrating its resources on highly profitable assets.

2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Custody Bank of Japan, Ltd. (Trust Account)	4,900,700	12.41%
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,179,500	8.05%
GOLDMAN SACHS & CO. REG	1,887,998	4.78%
TEPCO Energy Partner, Incorporated	1,460,000	3.70%
Japan Post Insurance Co.,Ltd.	765,000	1.94%
Nippon Life Insurance Company	728,920	1.85%
SSBTC CLIENT OMNIBUS ACCOUNT	549,649	1.39%
NORTHERN TRUST CO. (AVFC) RE HCR00	514,600	1.30%
NORTHERN TRUST CO. (AVFC) RE HSD00	513,800	1.30%
Custody Bank of Japan, Ltd. (Trust Account 5)	497,500	1.26%

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation

The Company split its ordinary share three-for-one on April 1, 2021. The number of shares owned above is before the stock split.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year-End	March
Type of Business	Retail Trade
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000

Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less 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

Organization Form	Company with <i>Kansayaku</i> Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	5
Appointment of Outside Directors	Appointed
Number of Outside Directors	2
Number of Independent Directors	2

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Takashi Ide	From another company												
Tetsuo Kawano	From another company								△				

* Categories for "Relationship with the Company"

* "○" 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;

“▲”when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Takashi Ide	○	—	<p>Reason for appointment as an Outside Director: Given the deep insights into accounting and finance as a certified public accountant, the Company believes that Mr. Takashi Ide will proactively exercise supervision and give advice on financial policy and the compliance framework the Company develops from a professional perspective, making use of his insights. Therefore, the Company has appointed him.</p> <p>Reason for nomination as an independent officer: Mr. Ide 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>
Tetsuo Kawano	○	Tetsuo Kawano was enrolled in Sumitomo Mitsui Banking Corporation in the past, from which the Company borrows funds. The balance of borrowings of the Group from the bank is JPY 4,647 million as of March 31, 2021. In addition, the bank is a shareholder of the Company, but its shareholding ratio is 0.56%	<p>Reason for appointment as an Outside Director: Mr. Tetsuo Kawano has extensive knowledge in finance as well as international business accumulated through his many years of service at a major financial institution and his participation in management of other operating companies subsequently. As the Company believes that he will proactively exercise supervision and give advice on the Company's capital policies and overseas businesses from a</p>

		of the total number of issued shares. Moreover, given that 16 years have passed since he left the bank, the Company has judged that relationship between the Company and the bank will not impact his execution of duties.	professional perspective, making use of his knowledge, the Company has appointed him. Reason for nomination as an independent officer: Mr. Kawano 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.
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Not Established
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[Kansayaku]

Establishment of <i>Kansayaku</i> Board	Established
Maximum Number of <i>Kansayaku</i> Stipulated in Articles of Incorporation	4
Number of <i>Kansayaku</i>	4

Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments

The Audit Committee consists of four Corporate Auditors (including three Outside Corporate Auditors), and they attend the meetings of the Board of Directors and the Audit Committee regularly holds meetings before meetings of the Board of Directors and irregularly as needed. The Audit Committee also holds the Three-Way Auditing Meeting with the accounting auditor and the Audit Office, which is an internal audit unit, to conduct efficient and effective audits by regularly exchanging opinions on audit policies, audit plans and key audit items, and reporting and confirming the status of audits conducted.

In addition, 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 <i>Kansayaku</i>	Appointed
Number of Outside <i>Kansayaku</i>	3
Number of Independent <i>Kansayaku</i>	3

Outside *Kansayaku*'s Relationship with the Company (1)

Name	Attribute	Relationship with the Company*
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		a	b	c	d	e	f	g	h	i	j	k	l	m
Tsuyoshi Yamada	Lawyer													
Katsuhisa Nakashima	CPA													
Yuko Gomi	Lawyer													

* Categories for “Relationship with the Company”

* ”○” 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;

“▲” when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. *Kansayaku* of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *kansayaku*

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the *kansayaku* himself/herself only)

k. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)

m. Others

Outside *Kansayaku*'s Relationship with the Company (2)

Name	Designation as Independent <i>Kansayaku</i>	Supplementary Explanation of the Relationship	Reasons of Appointment
Tsuyoshi Yamada	○	—	Reason for appointment as an Outside Corporate Auditor: Tsuyoshi Yamada acts as a lawyer and teaches exclusively in the field of company law and financial law as a professor at Seijo University, Graduate School of Law and a professor at Seijo University, Faculty of Law. The Company believes that he contributes to the Company by using his expertise and knowledge to strengthen the audit system of the Company. Reason for nomination as an independent officer: Mr. Yamada 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.
Katsuhisa	○	—	Reason for appointment as an Outside

Nakashima			<p>Corporate Auditor: Katsuhisa Nakashima has a high degree of professionalism in the evaluation of corporate value and the appraisal of share prices from his experience working for an audit corporation as a certified public accountant and being seconded to a venture capital and the Deposit Insurance Corporation of Japan. Because of his deep insights in management as a manager of a consulting company on M&A and organizational restructuring, the Company believes that Mr. Nakashima will be able to make useful points as a 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>
Yuko Gomi	○	—	<p>Reason for appointment as an Outside Corporate Auditor: Yuko Gomi has abundant knowledge and experience in crisis management and risk management as a lawyer. The Company expects that she will strengthen the auditor's audit by conducting audits of the Company from a professional and independent viewpoint, using her knowledge and experience.</p> <p>Reason for nomination as an independent officer: Ms. Gomi 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>

[Independent Directors/*Kansayaku*]

Number of Independent Directors/ <i>Kansayaku</i>	5
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Matters relating to Independent Directors/ <i>Kansayaku</i>

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.
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[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration, Other
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Supplementary Explanation

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

The introduction of a performance-linked portion of the basic remuneration for relevant Officers aims to increase their motivation for improving the business performance of the Group. Individual basic remuneration for each officer is determined based on the evaluation of independent outside evaluators* for the Officers.

(*) Independent outside evaluators are two university professors engaged by the Company since 2015 based on recommendations of external organizations. Because the Officer in charge of the Human Resource Department judged that the professors had in-depth knowledge of the management and performance evaluations which would become the basis of calculation of remuneration for Officers, the Company requested the evaluation.

- ① After the settlement of accounts, each Officer has an evaluation interview with the independent outside evaluators once a year about issues they worked on and their performance.
- ② The independent outside evaluators conduct quantitative and qualitative evaluations for each item required for the roles and duties of each Officer based on the interview results. The quantitative evaluation will be made based on operating income of the Company and the status of achievement of KPIs set by each Officer. In addition, the qualitative evaluation will be 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, expertise and foresight, but particular emphasis will be placed on their power to create change by eschewing past practices and successful experiences.
- ③ (Three) Representative Directors and the officer in charge of the Human Resource Department receive a report from the Representative Director, the Senior Managing Executive Officer, after the Representative Director has confirmed the results of the independent outside evaluation organization, and the Representative Director, Chief Executive Officer and the officer in charge of the Human Resource Department make the final decision on the proposed individual basic remuneration based on the independent outside evaluation.
- ④ The Representative Director, Chief Executive Officer and the Officer in charge of the Human Resource

Department report their views on the proposed individual basic remuneration based on the independent outside evaluation to the ESG Management Promotion Committee and receive approval from the ESG Management Promotion Committee.

- ⑤ The ESG Management Promotion Committee reports the details of discussions held in ④ above to the Board of Directors. The Board of Directors entrusts the decision of individual basic remuneration to the Representative Director, Chief Executive Officer and the Officer in charge of the Human Resource Department after confirming the content of the report.
- ⑥ The Representative Director, Chief Executive Officer and the Officer in charge of the Human Resource Department make the final decision on the individual basic remuneration.

Individual basic remuneration for Outside Directors and Corporate Auditors is determined according to their roles and responsibilities.

2) Non-monetary remuneration(Stock compensation)*

The stock remuneration plan is introduced for the purpose of enhancing the corporate value and shareholder value by raising the relevant Officers' awareness of improving the business performance through the increased linkage between remuneration for the relevant Officers and the shareholder value.

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. Points will be accumulated during their term of office, and the Directors will be able to receive the number of Company's shares equivalent to a certain percentage of the accumulated points and the amount of cash equivalent to the Company's shares converted to cash in the trust at the time of leaving office.

At the 66th Ordinary General Meeting of Shareholders held on June 24, 2020, a resolution on the continuation of this plan for the period from the fiscal year ending March 31, 2021 to the fiscal year ending March 31, 2025 was passed.

*The Board Incentive Plan (BIP trust) is an incentive plan for Officers introduced by reference to the performance share plan and the restricted stock plan in the United States.

The Company pays only the fixed basic remuneration to Outside Directors and Corporate Auditors and does not pay performance-linked remuneration for them to appropriately undertake their roles.

Recipients of Stock Options	
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Supplementary Explanation	
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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors
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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 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 ending in March 2021(April 1, 2020 to March 31, 2021).

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)	297	171	65	—	60	9
Corporate Auditors (excluding Outside Corporate Auditors)	14	14	—	—	—	1
Outside Directors/Corporate Auditors	34	34	—	—	—	5

*No Directors concurrently serve as an employee.

*The number of officers covered is the maximum number in the fiscal year under review (for Directors, the number before leaving office at the general meeting of shareholders).

*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)
Shinji Wada	Director	Company submitting this report	112	74	38

Policy on Determining Remuneration Amounts and Calculation Methods

Established

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

[Supporting System for Outside Directors and/or *Kansayaku*]

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 on Functions of Business Execution, Auditing, Oversight, 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 has 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 has 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 terms.

The Board of Directors comprises five Directors, including two independent Outside Directors (Shinji Wada, Representative Director, Chief Executive Officer, Daijo Watanabe, Representative Director, Senior Managing Executive Officer, Kunihiko Kashiwaya, Representative Director, Senior Managing Executive Officer, Takashi Ide, Outside Director, Tetsuo Kawano, Outside Director)

The Management Conference comprises the Chief Executive Officer, General Managers and Deputy General Managers of Headquarters and Executive Officers and deliberates and implements specific measures for management strategies and management plans resolved by the Board of Directors based on the delegated authority over matters related to the business execution of the Board of Directors.

The ESG Management Promotion Committee is chaired by an Independent Outside Director and comprises no less than three and no more than five members including Independent Outside Directors, Independent Outside Corporate Auditors and Representative Directors (Outside Directors or Outside

Corporate Auditors form a majority). It increases the objectivity and transparency of the Board of Directors by providing advice on management strategies and management plans from a long-term perspective based on the ESG management viewpoint. The Committee also discusses remuneration for Officers and successor plans (including the cultivation of successors), with the aim of strengthening the governance for sustainable growth.

2. Auditing system

The Audit Committee of the Company comprises four Corporate Auditors including one full-time Corporate Auditor and three independent Outside Corporate Auditors (Corporate Auditor Katsuhiko Ando, Outside Corporate Auditor Tsuyoshi Yamada, Outside Corporate Auditor Katsuhisa Nakashima, Outside Corporate Auditor Yuko Gomi), and persons with knowledge of finance, accounting and the company law who are independent from the Board of Directors are appointed as the Outside Corporate Auditors.

The Audit Committee 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 Audit Committee 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)

Kiyoshi Asada (Kyoritsu Audit Corporation 1years) and Tomokazu Tanaka (Kyoritsu Audit Corporation 7years), as well as other seven certified public accountants and one junior 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 reason for adopting the current corporate governance system is that the Company judges this to be effective in enhancing the effectiveness of corporate governance by firmly maintaining the system of management monitoring by Outside Directors and Outside Corporate Auditors to ensure management transparency while focusing on the efficiency of business execution.

The Company has also introduced the Executive Officer system to facilitate the separation of management supervision and business execution, and 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 operating under this system will enable management that is unafraid to relinquish operations when necessary and is geared to making changes, while ensuring management discipline,

achieving further improvements in corporate value.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early Notification of General Shareholder Meeting	At the time of the Ordinary General Meeting of Shareholders held on June 24, 2021, the Notice of Convocation was dispatched three weeks before the Meeting.
Providing Convocation Notice in English	The English convocation notice was disclosed on the dispatch date.

2. IR Activities

	Supplementary Explanations	Explanation provided by representative in person
Preparation and Publication of Disclosure Policy	The Company has established a policy for information disclosure to stakeholders by establishing the Disclosure Policy. The Disclosure Policy is posted on the Company's website (Japanese) (URL: https://www.nichigas.co.jp/).	
Regular Investor Briefings for Analysts and Institutional Investors	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 officer in charge of the Corporate Strategy/ IR Department and the Financial Department provides explanations. 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. <ul style="list-style-type: none"> • Business Strategy Meeting: Held in November 2020. • Business Strategy and ESG Explanatory Meeting: Held in May 2021. 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/results_briefing/). In addition, in fiscal year ending March 31, 2021, we carried out IR activities based on specific themes, including the LPG Network Service, electricity, and digital technologies. The person responsible for executing each operation explained their theme. <ul style="list-style-type: none"> • IR activities about DX initiatives: Held in June, September, and October 2020 • IR activities about LPG Network Service: Held in September 2020. 	Yes

	<ul style="list-style-type: none"> •IR activities about customer acquisition in the LP Gas industry and electricity business: Held in September 2020. •IR activities about ESG: Held in October 2020. 	
Posting of IR Materials on Website	Materials related to financial results, 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 Manager in Charge of IR	Corporate Strategy/IR Department is a contact point.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<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.</p> <p>In addition, the Company tries to interactively communicate with the Stakeholders.</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>As a company that delivers energy in the last mile, the Company will aim to achieve net zero CO2 emissions by 2050 with new technologies in collaboration with other companies (partners) while working to reduce CO2 emissions at the various sites where it operates.</p> <p>■By 2030, the Company will halve 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 halve CO2 emissions of the entire industry by having other LP Gas operators (partners) use its LP Gas delivery system as the LPG Network Service.</p> <p>The Company will advance its initiatives to reduce CO2 emissions based on the major assumption that energy will be provided through a hybrid of gas and electricity in the future. In addition to raising the procurement ratio of renewable energy to power sources, the Company will also work to halve CO2 emissions per customer by advancing efforts to promote energy-saving gas equipment and hybrid gas equipment for electricity and gas, while delivering gas and electricity efficiently. In addition, the Company will promote the use of electric vehicles (EVs) in society by changing all vehicles used by the Company, including tanker trucks, trailers, individual delivery trucks and sales vehicles, to EVs and promoting the development of charging stations and enhancing the electricity fee menu for EVs in tie-ups with partner companies.</p> <p>■To achieve net zero CO2 emissions by 2050, the Company will introduce new technologies through initiatives including investments in venture firms specialized in the environment and the forming of alliances with these firms. The Company will focus on new domains where technology is being developed toward the commercial use of hydrogen energy, ammonia, and carbon-free methane, etc., in addition to renewable energy (natural energy) and storage batteries. The Company will introduce and verify these new technologies while evaluating their practical applicability.</p> <p>The Company's specific initiatives for ESG and SDGs are disclosed in "Integrated Report 2020"</p>

	(URL: https://www.nichigas.co.jp/en/ir/library/annual/) and “Financial Statements Explanatory Meeting” on the Company’s website (URL: https://www.nichigas.co.jp/en/ir/library/results_briefing/).
Development of Policies on Information Provision to Stakeholders	<p>The Company has established a policy for information disclosure to stakeholders in the Disclosure Policy.</p> <p>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.</p> <p>For internal systems for the timely disclosure of corporate information, please see "V-2. Other Matters Concerning to Corporate Governance System" below.</p>

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System 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 committee 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 eight 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 has declared the establishment of compliance to realize fair and appropriate management and fulfill social responsibility given to companies.

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 is instituting the following measures to realize fair and appropriate management and fulfill its corporate social responsibility by establishing the Code of Conduct for the Nippon Gas Group Officers and Employees as a compliance program for its Officers and employees to engage in business execution by regarding compliance as their own issue

- The Company is fostering a culture to promote compliance through awareness and educational activities on compliance.
- To strengthen the compliance promotion system, the Company has established the Group Helpline Operational Regulations to set up the whistle-blowing system "Group Helpline (internal contact and external contact)" and increase the effectiveness of the compliance promotion system by stipulating that when the Officers and employees notice a compliance violation, they must report it to the Helpline (internal contact) or a law firm (external contact), or report a compliance violation of a Director or an Executive Officer to a full-time Corporate Auditor. The Company also fully enforces the rule of giving maximum consideration to the privacy of the whistleblower, keeping the contents of the report confidential, and not treating whistleblowers or cooperators in a disadvantageous manner, to create a system to quickly discover, avoid and minimize risks related to compliance violations and prevent their reoccurrence.
- To develop the work environment where Officers and employees, etc., will deepen their understanding of harassment and to be able to show their ability to the fullest in an environment where their human rights are fully respected, the Company has established the Basic Policy for Harassment Prevention Measures in the Workplace of the Nippon Gas Group and implements appropriate measures according to the basic policy for harassment prevention measures in the workplace.
- To promote health and productivity management, the Company has established the Safety and Health Committee to actively work on improving the working environment, including a reduction in extended working hours, health promotion, the improvement of labor productivity, and encouraging employees to take paid leave.

With regard to internal control over financial reporting, the Company has built a sufficient system to ensure conformity with the Companies Act, the Financial Instruments and Exchange Act and the Rules of the Tokyo Stock Exchange.

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, and information on financial, administrative and compliance risks (including electromagnetic information) 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 has established the Basic Policy for Information Security of the Nippon Gas Group, and operates the information security systems by setting up the Information Security Team (responsible official: General Manager of the Legal Department) for information security.

To promote lawful and appropriate handling of personal information, the Group companies have developed the Personal Information Protection Policy and internal regulations to acquire, store and manage personal information appropriately and safely under the guidance of the personal information protection manager.

By establishing the Information Disclosure Committee, the Company has developed internal regulations 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 continuously works to formulate and operate measures to prevent, reduce and avoid risks by recognizing risks of the Group in a cross-sectoral manner, and the department in charge of each business identifies and regularly reviews risks.

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. At the Group Risk Management Committee that comprises the heads of departments and sections in charge (including responsible officials of Group companies) according to risk categories, the Company promotes the development and operation of the risk management system of the Group with the Legal Department as the secretariat. The Company has decided to address risks and manage crises in accordance with the Group Risk Management Regulations in an emergency.

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. At the same time, to prepare for unexpected natural disasters and accidents, the Energy Business Headquarters sets up an emergency security system in terms of safety, the environment and logistics as the supervisory department and

conducts disaster drills every year.

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 regular meeting of the Board of Directors every month. To improve the execution of duties and management efficiency, the Company has developed systems to make various reports on basic matters and important matters concerning business execution in an agile manner by holding the Management Conference, which comprises Executive Officers, at least once a month and the Group Executive Officers Meeting, which the full-time Directors and Corporate Auditor of the Company and the presidents, branch managers and general managers of departments of subsidiaries attend, every month. In addition, 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 will execute business appropriately and efficiently by establishing the Division of Duties Regulations and the Regulations of Administrative Authority.

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.

Moreover, 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 the management team to employees.

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

(1) System to report matters concerning the execution of duties by the directors of subsidiaries to the Company

The Company confirms whether duties are executed efficiently by directors of subsidiaries at the Management Conference and meetings of the Board of Directors from the viewpoint of maximizing the corporate value of the Group by establishing the Group Companies Management Regulations and receiving regular reports on the status of management, business execution and finance.

The Directors and Executive Officers concurrently serve as directors and corporate auditors of subsidiaries to supervise their management by requiring prior approval of the Company for developing business strategies and business plans of the subsidiaries based on the management philosophy and management policy of the Group, among other means.

(2) Regulations concerning the management of the risk of loss of subsidiaries and other relevant systems

With regard to the risk management in the Group, the Company has established the Group Risk Management Committee and oversees risks of the Group in accordance with the Group Risk Management Regulations. In addition, subsidiaries also participate in the Group Risk Management Committee to make

efforts to understand the risks of the Group in a cross-sectoral manner and take measures to reduce the risks.

(3) System to ensure that duties will be executed efficiently by the directors of the subsidiaries

The Group will clarify management responsibilities and accelerate the speed of decision making and business execution by dividing the supervisory function and the business execution function. The Company supervises the management of the subsidiaries and provides them with advice and guidance while respecting their initiatives, and the Directors and Executive Officers concurrently serve as the directors and corporate auditors of the subsidiaries to understand their management and promote the appropriateness of their business operation.

For important matters that are deemed to have a material impact on their management, the subsidiaries shall obtain approval from the Company after making an advance report based on the Group Companies Management Regulations.

The Company will promote information sharing in the Group and efficiently improve the duties by introducing the cloud-based core system Kumo-no-Ucyusen and the Group ware in the subsidiaries to build common systems in the Group.

(4) System to ensure that the execution of duties by the directors and employees of subsidiaries conforms to laws, regulations and the Articles of Incorporation

The Group has established the Code of Conduct for the Nippon Gas Group Officers and Employees for the officers and employees of the Group and provides them with compliance training.

The Audit Office of the Company audits the legality and adequacy of business execution by conducting internal audits of the Group. The Audit Office reports the results of the internal audits to the Representative Directors and the Executive Officers of the Company as well as the Chief Executive Officer of Group companies and provides them with guidance on remedial measures for internal control as well as support and advice on their implementation.

Establishing the Group Helpline as a whistle-blowing contact for the entire Group, the Company shall formulate and implement corrective and preventive measures from a compliance perspective with respect to whistle-blowing from the Officers and employees of the subsidiaries.

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 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 Audit Committee 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

(1) System for the Officers and employees of the Company to report to the Corporate Auditors

When a Director discovers a fact that could cause serious damage to the Company, they shall immediately report it to the Corporate Auditors in accordance with laws and regulations.

In addition, the full-time Corporate Auditors shall attend the Management Conference, the Internal Control System Committee, the Group Compliance Committee, the Group Risk Management Committee and other important meetings, in addition to the meetings of the Board of Directors, to figure out the process of important decision-making and the status of business execution and shall inspect important approval documents and other important documents related to business execution and ask the Directors, Executive Officers, and the heads of departments and sections for an explanation as needed.

The Corporate Auditors shall closely cooperate with the accounting auditor, the internal audit departments and the corporate auditors of subsidiaries by holding Three-Way Auditing regularly and exchanging information with them.

(2) 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

When an Officer or an employee of a subsidiary discovers a fact that that could cause serious damage to the Company or a subsidiary, they shall report it to the Corporate Auditors of the Company.

When an Officer or an employee of a subsidiary is asked to report matters concerning their execution of business from a Corporate Auditor of the Company, they shall make a report promptly and appropriately.

In addition, the internal control departments of the Company and the subsidiaries shall report the results of internal audits of the subsidiaries to the Corporate Auditors of the Group.

(3) 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 a person who made a report to the Corporate Auditors will not experience detrimental treatment as a result.

(4) 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. In addition, with respect to the handling of the advance payment or reimbursement of expenses incurred by Corporate Auditors in the execution of their duties, the Company promptly processes the expenses or obligations unless they are deemed unnecessary for the execution of duties by Corporate Auditors.

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

The basic policy is that the Representative Directors, Chief Executive Officer take the initiative in conducting internal control over financial reporting and developing an appropriate system on a Group-wide basis in order to ensure the reliability and appropriateness of financial reporting as an important management duty. In addition, to ensure the reliability and appropriateness of financial

reporting, the Audit Office and the Financial Department verify and conduct internal audits on the status of development and operation of internal control systems and make an appropriate report to the Board of Directors and the Audit Committee. In this way, the Company has developed a system for the Board of Directors and the Audit Committee to be able to continuously monitor the situation. The evaluation committee 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. In internal audits, the Audit Office and the Financial Department of the Company conduct audits on the status of development and operation of internal control systems of subsidiaries from a viewpoint of risk.

2. Basic Views on Eliminating Anti-Social Forces

(1) Basic views on eliminating anti-social forces

The Company strives to appropriately deal with anti-social forces in a close cooperation with the police and law firms, etc., under the guidance of the Legal Department as a supervisory department in accordance with the policy of "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" based on the Code of Conduct for the Nippon Gas Group Officers and Employees.

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

The Company has defined its basic views on anti-social forces in the Code of Conduct for the Nippon Gas Group Officers and Employees and conducts enlightenment and education activities for the Officers and employees through trainings. In addition, the Company has built a close, cooperative relationship with external specialized organizations, including law firms, and shall respond systematically to undue claims of anti-social forces with the Legal Department as the supervisory department.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

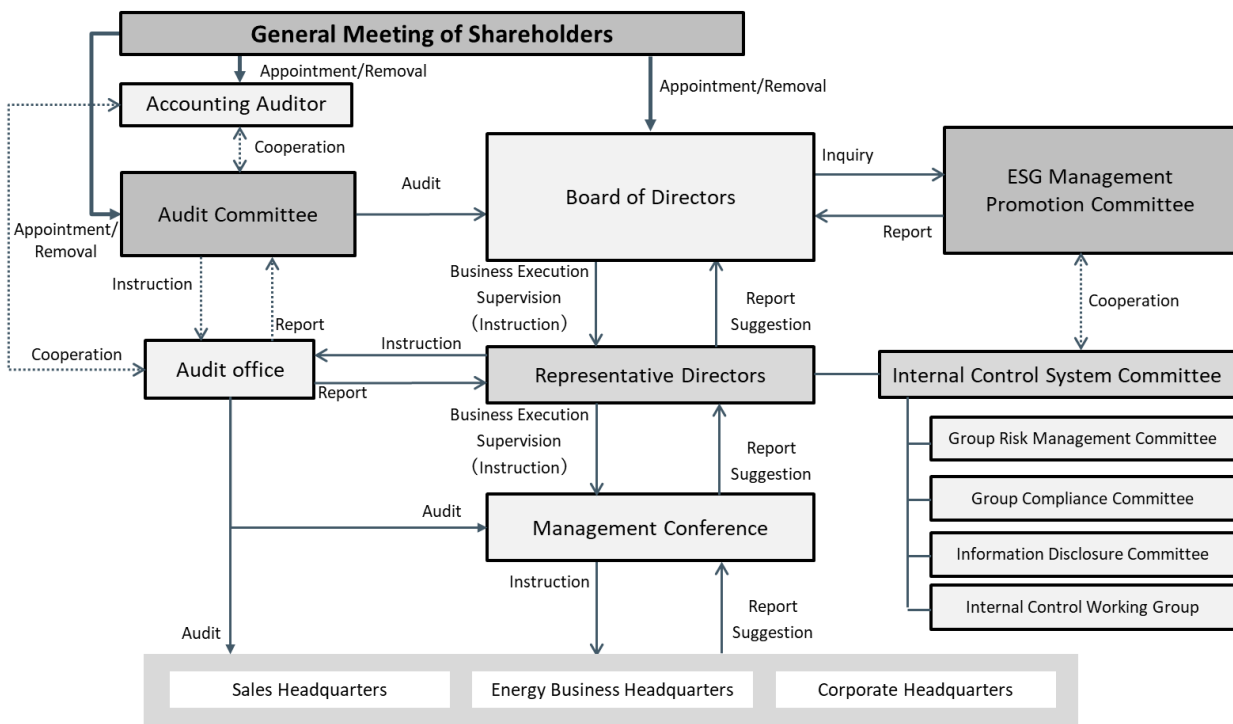
The Company abolished the corporate value enhancement plan (anti-takeover measures) at the 63rd General Meeting of Shareholders held on June 28, 2017. Even after abolishing the plan, the Company shall take appropriate measures based on the Financial Instruments and Exchange Act, the Companies Act and 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.

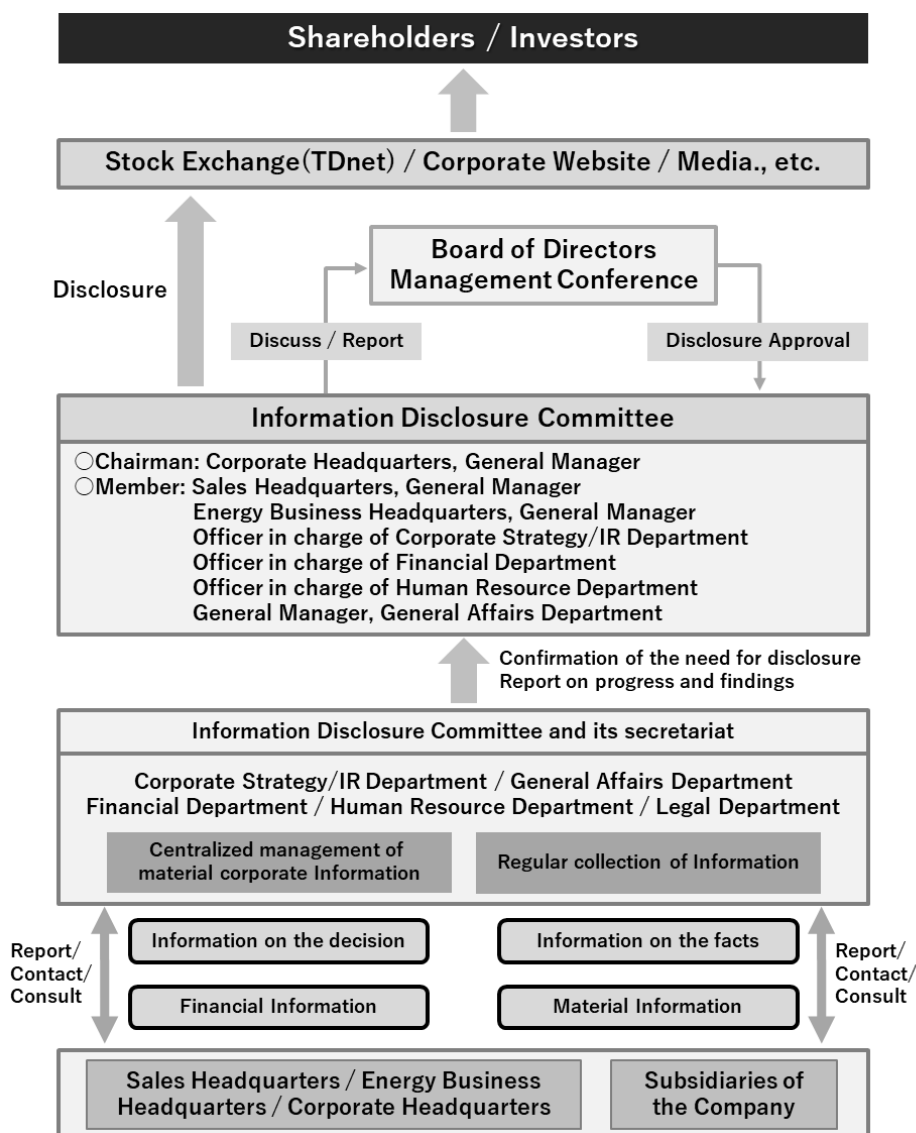
2. Other Matters Concerning to Corporate Governance System

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■ 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 and appropriate 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 has established internal regulations (the Insider Trading Management Regulations) that manage 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 has 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, the Officer in charge of Corporate Strategy/IR Department 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 that deliberates matters concerning business execution 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 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

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.

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