

# Corporate Governance

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TOKYO GAS CO., LTD.

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Securities Code: 9531

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The corporate governance of Tokyo Gas Co., Ltd. (the “Company”) is described below.

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

### 1. Basic Views

As an “energy frontier corporate group” that focuses on natural gas, the Company aims at the realization of comfortable lifestyles and environmentally friendly cities and works to ensure continued development while consistently earning the trust of customers, shareholders, and society. Based on this philosophy, we aim to achieve a continuous increase in our corporate value through enhancing corporate governance systems. We are endeavoring to develop systems with a commitment to management legality, soundness, and transparency. We continue to emphasize the importance of accurate and prompt decision-making, efficient business executions, strengthening of auditing and monitoring functions, and clarification of management and executive responsibilities.

#### [Reasons for Non-compliance with the Principles of the Japan’s Corporate Governance Code]

The Company complies with the principles of the Japan’s Corporate Governance Code.

#### [Disclosure Based on the Principles of the Japan’s Corporate Governance Code]

##### [Principle 1.4 Cross-Shareholdings]

Each year, the Board of Directors verifies the propriety of holding individual cross-shareholdings held by the Company based on a confirmation of whether there is an appropriate purpose for holding them, whether they contribute to maintaining and enhancing the Company’s corporate value in the mid- to long-term, and other factors. In cases where, as a result of these verifications, the rationality and necessity of holding a cross-shareholding is judged to be low, said shareholding will be sold in a timely and appropriate manner. When exercising its voting rights with respect to cross-shareholdings, the Company considers the content of proposals by the companies in question as well as their financial results before independently deciding whether to approve proposals with reference as to whether it will contribute to maintaining and enhancing corporate value of the Company and said company in question.

##### [Principle 1.7 Related Party Transactions]

Transactions by Directors that are competitive or involve a conflict of interest must be approved by the Board of Directors and a post-transaction report is required from the Director who conducted the transaction. The Company investigates other related party transactions periodically on an annual basis and discloses transactions appropriately in accordance with the relevant acts.

[Principle 2.6 Roles of Corporate Pension Funds as an Asset Owners]

In order to provide stable pension benefits to recipients, the Finance Department has appointed and allocated multiple personnel in a planned manner to take responsibility for managing the funds and enhance specialization. Also, an Asset Management Committee made up of representatives from the Accounting, Finance, and Personnel Departments strives to provide appropriate management and control by monitoring the management situation and using external consultants.

[Principle 3.1 Full Disclosure]

(1) Management Philosophy, strategies, and medium- and long-term management plans

The Company discloses its Management Philosophy, its Challenge 2020 Vision for Group management, FY2018-2020 Management Plan “GPS2020,” and its FY Supply Plans on its website.

- Management Philosophy ([www.tokyo-gas.co.jp/en/aboutus/mission.html](http://www.tokyo-gas.co.jp/en/aboutus/mission.html))
- Challenge 2020 Vision ([www.tokyo-gas.co.jp/IR/english/manage/vision\\_e.html](http://www.tokyo-gas.co.jp/IR/english/manage/vision_e.html))
- GPS2020 ([www.tokyo-gas.co.jp/Press\\_e/20171005-02e.pdf](http://www.tokyo-gas.co.jp/Press_e/20171005-02e.pdf))
- FY Supply Plans ([www.tokyo-gas.co.jp/IR/english/library/plan\\_e.html](http://www.tokyo-gas.co.jp/IR/english/library/plan_e.html))

(2) Basic views and guidelines on corporate governance

The basic views of the Company are as detailed in “1. Basic Views” above.

The Company discloses the relevant guidelines on its website ([www.tokyo-gas.co.jp/IR/english//gvnnc/pdf/policy.pdf](http://www.tokyo-gas.co.jp/IR/english//gvnnc/pdf/policy.pdf)).

(3) Policy and procedures for determining Officer remuneration

Officer remuneration is determined by the Board of Directors following deliberations by the Advisory Committee, based on the Basic Policy on Officer Remuneration set forth by the Board of Directors.

The Company discloses the Basic Policy on Officer Remuneration in its Securities Report (available in Japanese only on the Company’s website ([www.tokyo-gas.co.jp/IR/library/yoho\\_j.html](http://www.tokyo-gas.co.jp/IR/library/yoho_j.html))) and in the business report accompanying the notice of convocation of the Shareholders Meeting ([www.tokyo-gas.co.jp/IR/english/event/shm\\_e.html](http://www.tokyo-gas.co.jp/IR/english/event/shm_e.html)).

(4) Policy, procedures and individual reasons for election of Directors and Audit & Supervisory Board Members and selection and dismissal of executives

i) Election of Directors

To ensure that the Board of Directors conducts appropriate decision-making and management supervision, Directors shall be individuals who possess abundant experience, in-depth knowledge, and a high level of expertise. Outside Directors shall be individuals who have perspectives on matters including corporate management, social and economic trends, and international affairs. They are also required to meet the Company’s Independence Standards for Outside Officers. The selections of nominees for the position of Director are determined by the Board of Directors following deliberations by the Advisory Committee, and when said nominees are proposed at Shareholders Meetings, the reasons for selection of the nominees are disclosed in the reference materials for the Shareholders Meeting included in the notice of convocation of the Shareholders Meeting ([www.tokyo-gas.co.jp/IR/english/event/shm\\_e.html](http://www.tokyo-gas.co.jp/IR/english/event/shm_e.html)).

ii) Election of Audit & Supervisory Board Members

To ensure that the Company develops soundly and earns greater trust from society, Audit & Supervisory Board Members shall be individuals who possess abundant experience, in-depth knowledge, and a high level of expertise required for auditing.

Moreover, in order to ensure the effectiveness of auditing by Audit & Supervisory Board Members, one or more persons shall be individuals who have a substantial degree of knowledge about finance and accounting. Outside Audit & Supervisory Board Members shall be individuals who possess a neutral, objective perspective. They are also required to meet the Company’s Independence Standards for Outside Officers.

The selections of nominees for the position of Audit & Supervisory Board Member are determined by the Board of Directors following deliberations by the Advisory Committee and approval by the Audit & Supervisory Board, and when said nominees are proposed at Shareholders Meetings, the reasons for selection of the nominees are disclosed in the reference materials for the Shareholders Meeting included in the notice of convocation of the Shareholders Meeting ([www.tokyo-gas.co.jp/IR/english/event/shm\\_e.html](http://www.tokyo-gas.co.jp/IR/english/event/shm_e.html)).

iii) Selection and dismissal of executives

The Chairman and President should have sufficient experience and achievements as managers, possess the decision-making capabilities and flexibility to respond to changes in the business environment, as well as the

judgement and leadership abilities to enable swift action in times of emergency, and be individuals who can fulfill the Company's mission toward the public and social responsibilities.

If the Chairman or President becomes unable to meet the above-mentioned selection criteria, such as in the cases that they commit actions that violate public order and standards of decency, or damage corporate value due to negligence in their duties, or have difficulty continuing their duties, they will be dismissed.

The selection and dismissal of a Chairman or President are determined by the Board of Directors following deliberations by the Advisory Committee and the reasons for this shall be disclosed in timely disclosure materials concerning personnel affairs of officers.

[Supplementary Principle 4.1.1 Scope of Matters Delegated to Management by the Board of Directors]

The Board of Directors deliberates on and determines the agendas submitted for deliberation and resolution pursuant to the provisions of the relevant acts, the Articles of Incorporation and the Regulations of the Board of Directors. In addition, agendas submitted to the Board of Directors and other agendas that are critical enough to affect management are deliberated on at the Management Committee held in principle every week.

[Principle 4.9 Independence Standards and Qualification for Independent Directors]

The independence of Outside Officers is judged with regard to matters including capital, transactions, and relationships. The Company judges their independence by comprehensively verifying that there are unlikely to be conflicts of interest with general shareholders, and that they are in a position that enables them to be objective and neutral. Specific details are disclosed on the Company's website ([www.tokyo-gas.co.jp/IR/english/gvnnc/pdf/independence.pdf](http://www.tokyo-gas.co.jp/IR/english/gvnnc/pdf/independence.pdf)).

[Supplementary Principle 4.11.1 View on the Board of Directors as a Whole]

The Articles of Incorporation stipulate that the maximum number of Directors at the Company should be 15 and at least one third of Directors should be Outside Directors.

The Company's policy and procedures for election of Directors are as set out in Principle 3.1 (4) i) above.

[Supplementary Principle 4.11.2 Concurrent Posts Held by Directors and Audit & Supervisory Board Members]

Concurrent posts in other companies held by Directors and Audit & Supervisory Board Members are disclosed in the Company's Securities Report (available in Japanese only on the Company's website ([www.tokyo-gas.co.jp/IR/library/yoho\\_j.html](http://www.tokyo-gas.co.jp/IR/library/yoho_j.html))).

[Supplementary Principle 4.11.3 Analysis and Evaluation of Effectiveness of Board of Directors as a Whole]

To maintain and enhance the effectiveness of the Board of Directors, we analysed and evaluated the Board of Directors' effectiveness by holding exchanges of opinions at the meetings of the Board of Directors, using the questionnaire-based self-evaluations completed by the Directors as a point of reference. In both the questionnaire results and the exchanges of opinions, there was consensus that the decision-making process and monitoring function of the Board of Directors was sufficiently ensured and that its effectiveness had increased, particularly as a result of operational improvements made following the revisions to the Regulations of the Board of Directors (April 2017).

However, constant effort is required to increase the effectiveness of the Board of Directors, and we have confirmed we will work to improve discussion by revising the duration of the meetings of the Board of Directors, and to expand the attendance of Executive Directors at the meetings of the Board of Directors and enhance the relationship with execution by expanding inspections of execution conditions by the Directors, etc.

[Supplementary Principle 4.14.2 Policy for Training of Directors and Audit & Supervisory Board Members]

When Directors and Audit & Supervisory Board Members assume their positions, the Company provides them with training opportunities to help them understand their responsibilities. The Company also provides training courses and other programs, for which it offers financial support, to enable Directors and Audit & Supervisory Board Members to update their knowledge while in office.

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

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

To promote constructive dialogue with shareholders, the Company has put in place the following organizational structures and measures:

- The management responsible for overseeing dialogue with shareholders is the Executive Director in charge of general administration.
- Information is closely shared between units that support such dialogue with shareholders.
- The Company conducts dialogue actively via investor briefings, IR activities, and by other means.
- The content of dialogue with shareholders is periodically fed back to the management and put to use in enhancing corporate value.
- The Company endeavors to prevent insider information from being leaked when conducting dialogue with shareholders.

## 2. Capital Structure

Foreign Shareholding Ratio	30% or more
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[Status of Major Shareholders]

Name	Number of Shares Owned (Shares)	Percentage (%)
Nippon Life Insurance Company	31,296,121	6.96
The Master Trust Bank of Japan, Ltd. (Trust Account)	24,681,700	5.49
The Dai-ichi Life Insurance Company, Ltd.	24,094,465	5.35
Japan Trustee Services Bank, Ltd. (Trust Account)	19,784,400	4.40
Japan Trustee Services Bank, Ltd. (Trust Account 7)	8,923,500	1.98
Tokyo Gas Group Employees Shareholding Association	8,446,986	1.88
STATE STREET BANK WEST CLIENT-TREATY 505234	8,027,800	1.78
Japan Trustee Services Bank, Ltd. (Trust Account 5)	7,918,500	1.76
Fukoku Mutual Life Insurance Company	7,472,200	1.66
Mizuho Trust & Banking Co., Ltd. Employee Pension Trust Dai-ichi Mutual Life Insurance Company Account Standby Trustee Trust & Custody Services Bank, Ltd.	7,098,000	1.58

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

Supplementary Explanation

The change report submitted for public inspection on August 22, 2018, stated that Mizuho Bank, Ltd. and other 1 company each held shares in the Company as of August 15, 2018. However, since as of September 30, 2018, the Company was unable to confirm the actual number of shares owned, they have not been included in the above major shareholders.

The details contained in the change report are as follows:

[Name/company name (number of shares owned; shares owned as a percentage of total shares outstanding)]  
Mizuho Bank, Ltd. (3,060,104 shares; 0.68%)  
Asset Management One Co., Ltd. (15,904,800 shares; 3.52%)  
<Total 18,964,904 shares; 4.20%>

The change report submitted for public inspection on October 19, 2018, stated that Sumitomo Mitsui Trust Asset Management Co., Ltd. and other 1 company each held shares in the Company as of October 15, 2018. However, since as of September 30, 2018, the Company was unable to confirm the actual number of shares owned, they have not been included in the above major shareholders.

The details contained in the change report are as follows:

[Name/company name (number of shares owned; shares owned as a percentage of total shares outstanding)]  
Sumitomo Mitsui Trust Asset Management Co., Ltd. (12,452,500 shares; 2.76%)  
Nikko Asset Management Co., Ltd. (4,767,900 shares; 1.06%)  
<Total 17,220,400 shares; 3.82%>

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section; Nagoya Stock Exchange, First Section
Fiscal Year-End	March
Type of Business	Electric Power & Gas
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥1 trillion or more
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

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

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### 5. 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 Supervision in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory 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 of Directors	Chairman of the Board (unless the chairman serves concurrently as president)
Number of Directors	8
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Officers Designated from among Outside Directors	3

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*									
		a	b	c	d	e	f	g	h	i	j
Akihiko Ide	From another company										
Yoshinori Katori	Other										
Chika Igarashi	Attorney at law										

\* 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 (a person who executes business; the same shall apply hereinafter up to j.) of the Company or its subsidiaries
- b. Executive or non-executive director 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 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 remuneration as a director
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal person)
- 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/audit & supervisory board members 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 Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Akihiko Ide	○	-----	The Company can make use of the cosmopolitan outlook Mr. Akihiko Ide has acquired in overseas businesses in the general materials industry, particularly in Asia, as well as the strong management capabilities and deep insight he has acquired through a wide range of business development in resource business and others. In making judgments about matters related to the independence of Outside Officers, we comprehensively verify that they are unlikely to have conflicts of interest with general shareholders and they are in a position that enables them to be objective and neutral. There is no special interest based on capital, transactions, or relationships between Mr. Ide and the Company. The Company therefore judges that he is independent according to its own independence standards.
Yoshinori Katori	○	-----	The Company can make use of the cosmopolitan and broad outlook and deep insight Mr. Yoshinori Katori has acquired over his many years as a diplomat. In making judgments about matters related to the independence of Outside Officers, we comprehensively verify that they are unlikely to have conflicts of interest with general shareholders and they are in a position that enables them to be objective and neutral. There is no special interest based on capital, transactions, or relationships between Mr. Katori and the Company. The Company therefore judges that he is independent according to its own independence standards.

Chika Igarashi	<input type="radio"/>	-----	The Company can make use of her high level of legal expertise built up through many years of experience in corporate legal affairs, broad outlook and in-depth knowledge for the Company's management. In making judgments about matters related to the independence of Outside Officers, we comprehensively verify that they are unlikely to have conflicts of interest with general shareholders and they are in a position that enables them to be objective and neutral. There is no special interest based on capital, transactions, or relationships between Ms. Igarashi and the Company. The Company therefore judges that she is independent according to its own independence standards.
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Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Remuneration Committee	Established
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#### Committee's Name, Composition, and Chairperson's Attributes

	Committee Equivalent to Nominating Committee	Committee Equivalent to Remuneration Committee
Committee's Name	Advisory Committee	Advisory Committee
All Committee Members	5	5
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	2	2
Outside Experts	0	0
Other	1	1
Chairperson	Outside Director	Outside Director

#### Supplementary Explanation

The Advisory Committee is made up of two Outside Directors, one Outside Audit & Supervisory Board Member, one Director and Chairman of the Board, and one Representative Director, President.

#### [Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

## Cooperation among Audit & Supervisory Board Members, Accounting Auditor and Internal Audit Department

The Audit & Supervisory Board Members and the Accounting Auditor hold regular meetings approximately seven times per year. The Audit & Supervisory Board Members receive explanations from the Accounting Auditor about the audit plan, quarterly reviews, and the audit results for the fiscal year. In addition, they receive reports as necessary on the results of auditing the Company's operating units and its subsidiaries. The Audit & Supervisory Board Members also hold regular meetings with the Internal Audit Department, receiving information including explanations about the audit plan and reports on the results of auditing the Company's operating units and its subsidiaries.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Officers Designated from among Outside Audit & Supervisory Board Members	3

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

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Yoshihiko Morita	From another company													
Masato Nobutoki	Other													
Sawako Nohara	From another company													

\* Categories for "Relationship with the Company"

\* "○" when the audit & supervisory board member presently falls or has recently fallen under the category;

"△" when the audit & supervisory board member fell under the category in the past

\* "●" when a close relative of the audit & supervisory board member presently falls or has recently fallen under the category;

"▲" when a close relative of the audit & supervisory board member fell under the category in the past

- a. Executive (a person who executes business; the same shall apply hereinafter up to l.) of the Company or its subsidiaries
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Executive or non-executive director of a parent company of the Company
- d. Audit & supervisory board member 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 remuneration as an audit & supervisory board member
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal person)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f., g., or h.) (the audit & supervisory board member himself/herself only)
- k. Executive of a company, between which and the Company outside directors/audit & supervisory board members are mutually appointed (the audit & supervisory board member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the audit & supervisory board member himself/herself only)
- m. Others

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

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Yoshihiko Morita	○	----	The Company's auditing will benefit from Mr. Yoshihiko Morita's expansive international way of thinking and deep insight nurtured through work in the fields of international finance and overseas economic cooperation. In making judgments about matters related to the independence of Outside Officers, we comprehensively verify that they are unlikely to have conflicts of interest with general shareholders and they are in a position that enables them to be objective and neutral. There is no special interest based on capital, transactions, or relationships between Mr. Morita and the Company. The Company therefore judges that he is independent according to its own independence standards. Moreover, he possesses a substantial degree of knowledge about finance and accounting.
Masato Nobutoki	○	----	The Company's auditing will benefit from Mr. Masato Nobutoki's wealth of experience and deep insight as a company employee and a local public officer. In making judgments about matters related to the independence of Outside Officers, we comprehensively verify that they are unlikely to have conflicts of interest with general shareholders and they are in a position that enables them to be objective and neutral. There is no special interest based on capital, transactions, or relationships between Mr. Nobutoki and the Company. The Company therefore judges that he is independent according to its own independence standards.

Sawako Nohara	<input type="radio"/>	-----	The Company's auditing will benefit from Ms. Sawako Nohara's experience as a corporate manager, advanced specialization related to IT and in-depth knowledge. In making judgments about matters related to the independence of Outside Officers, we comprehensively verify that they are unlikely to have conflicts of interest with general shareholders and they are in a position that enables them to be objective and neutral. There is no special interest based on capital, transactions, or relationships between Ms. Nohara and the Company. The Company therefore judges that she is independent according to its own independence standards.
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### [Independent Officers]

Number of Independent Officers	6
Matters relating to Independent Officers	
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### [Incentives]

Implementation of Measures to Provide Incentives to Directors	Performance-linked Remuneration, Other
Supplementary Explanation	
<ul style="list-style-type: none"> <li>• Introduction of performance-linked remuneration system: In July 2005 the Company introduced performance-linked remuneration, whereby the performance of the Company and its operating units in the previous fiscal year are reflected in the monthly remuneration of Directors concurrently serving as Executive Officers.</li> <li>• Establishment of share-purchase guidelines: From July 2005 the Company arranged for Directors (excluding Outside Directors) to acquire the Company's shares each month via the Officers' shareholding association. These shares, acquired in accordance with guidelines laid down for the post of each individual, are held for the duration of the Directors' terms of office.</li> </ul>	

Recipients of Stock Options	
Supplementary Explanation	
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**[Director Remuneration]**

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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**Supplementary Explanation**

- Directors (excluding Outside Directors): ¥464 million for 10 people
- Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members): ¥74 million for 3 people
- Outside Directors: ¥34 million for 3 people
- Outside Audit & Supervisory Board Members: ¥32 million for 3 people
  
- \* The above aggregate amount of remuneration paid includes the remuneration paid to two Directors and two Audit & Supervisory Board Members (one of whom is Outside Audit & Supervisory Board Members) who retired upon the conclusion of the 217th Annual Shareholders Meeting.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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**Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods**

In April 2005, the Company set forth its Basic Policy on Officer Remuneration, which outlines the method of remuneration for Directors, etc., and at its meeting held in February 2012, the Board of Directors revised the policy as detailed below. In an additional measure taken in April 2005, the Company abolished its system of retirement benefits for Directors and Audit & Supervisory Board Members, creating a single monthly remuneration system.

1. Role of officer and officer remuneration
 

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

The level of officer remuneration shall be suitable for the role, responsibility and performance of the officer.
3. Remuneration of Directors and its composition
  - (1) Remuneration of Directors shall be paid within the scope of the remuneration limit approved at Shareholders Meeting.
  - (2) Remuneration of Inside Directors shall comprise monthly remuneration and bonus.
    - a) Monthly remuneration shall comprise fixed remuneration paid in accordance with the post of each individual and performance-linked remuneration. A portion of fixed remuneration shall be allocated to the purchase of shares based on a share-purchase guideline and from the standpoints of reflecting the perspectives of shareholders on management and improving shareholder value over the long term. The amount of performance-linked remuneration shall be determined after evaluating company-wide performance and performance of operating units from the standpoints of motivating Inside Directors to execute management strategies and reflecting their performance clearly in their remuneration.
    - b) The amount of bonus to be paid shall be determined in accordance with the post of each Inside Directors after performance evaluation.
  - (3) Remuneration of Outside Directors shall comprise monthly remuneration and bonus. Monthly remuneration shall comprise only fixed remuneration, while bonus shall be the same as that of Inside Directors.
4. Remuneration of Audit & Supervisory Board Members and its composition
  - (1) Remuneration of Audit & Supervisory Board Members shall be paid within the scope of the remuneration limit approved at Shareholders Meeting and determined through discussions among Audit & Supervisory Board Members.
  - (2) Remuneration of Audit & Supervisory Board Members shall comprise only fixed monthly remuneration.

5. Assurance of objectivity and transparency of officer remuneration system

The Company shall assure the objectivity and transparency of the system of officer remuneration by establishing and operating the ‘Advisory Committee’ comprising Outside Directors, Outside Audit & Supervisory Board Members and a number of Inside Directors (at least half of committee members shall be Outside Directors or Outside Audit & Supervisory Board Members, and an Outside Director or an Outside Audit & Supervisory Board Member shall be chairman) to govern the system of personnel affairs and remunerations of officers.

**[Supporting System for Outside Directors and/or Outside Audit & Supervisory Board Members]**

- Outside Directors are supported by the Secretary Department, and Outside Audit & Supervisory Board Members are supported by the Audit & Supervisory Board Members’ Office.
- Documents relating to topics for discussion at meetings of the Board of Directors are distributed in advance and explanations are also provided prior to meetings when necessary.

**[Status of Persons Who Have Retired from a Position Such as Representative Director, President]**

Advisors, Counselors, etc. Who Have Once Served as Representative Director, President, etc. of the Company

Name	Position/ Title	Operational Details	Working Form, Conditions (Full-time/Part-time, Paid/Unpaid, etc.)	Date of Retirement from a Position Such as President	Term of office
Tsuyoshi Okamoto	Senior Corporate Advisor	<ul style="list-style-type: none"> <li>Where necessary, provides advice on overall management</li> <li>External activities recognized as useful to management (Japanese Business Federation, Senior Corporate Adviser, etc.)</li> </ul>	Part-time, Paid	March 31, 2014	1 year (can be reelected: maximum of 5 years)
Mitsunori Torihara	Executive Advisor	<ul style="list-style-type: none"> <li>Activities useful to the Company’s business operations (Japanese Para-Sports Association, Chairman, etc.)</li> </ul>	Part-time, Paid	March 31, 2010	1 year (can be reelected)

Total Number of Advisors, Counselors, etc. Who Have Once Served as Representative Director, President, etc.

2

## Other Matters

- Former Representative Directors, Presidents Hideharu Uehara and Norio Ichino hold honorary positions with no business activities or remuneration as Honorary Counselors.
- Neither Senior Corporate Advisor nor Executive Advisor have involvement in the decision-making process of management.

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

The Company has limited the number of Directors to up to 15, at least one third of whom must be Outside Directors. The Board of Directors makes important management decisions and supervises business execution, and as a company with an Audit & Supervisory Board, the status of execution of duties by Directors and the like is supervised by Audit & Supervisory Board Members and an Audit & Supervisory Board that are independent of the Board of Directors. The Company also uses an executive officer system to separate management decision-making, supervision, and business execution and realize accurate and swift decision-making regarding business execution and efficient business execution. Furthermore, the Company has also established an Advisory Committee (over half of whose members are Outside Directors, with the Chairman selected by the Board of Directors from among the Outside Director members) in order to realize expert deliberations that take into consideration transparency in regard to the appropriateness and soundness of officer election, remuneration, and the like.

### (1) Matters on the function of business execution

In principle, the Board of Directors meets once a month to discuss and decide important matters regarding business executions. Directors must submit reports to the Board of Directors regarding the status of execution of their duties periodically and when deemed necessary, allowing the board to monitor the performance of Directors. In making judgments about matters related to the independence of Outside Officers, such as capital, transactions, and relationships, the Company comprehensively verifies that they are unlikely to have conflicts of interest with general shareholders and they are in a position that enables them to be objective and neutral, and on that basis the Company makes a judgment on their independence. (The Company discloses its Independence Standards for Outside Officers on its website. ([www.tokyo-gas.co.jp/IR/english/gvnnc/pdf/independence.pdf](http://www.tokyo-gas.co.jp/IR/english/gvnnc/pdf/independence.pdf))).

The Advisory Committee has confirmed that none of the Outside Directors has a conflict of interest with the Company—in regard to capital, transactions, or relationships—and has confirmed their independence in accordance with the above standards. The committee's decision has been reported to the Board of Directors, which has designated them as Independent Officers. In accordance with their individual experience and knowledge, the Outside Directors strive to secure the soundness and appropriateness of deliberations and decisions regarding business execution. From an independent viewpoint, the Outside Directors monitor the performance of duties by the Directors and exercise their voting rights at meetings of the Board of Directors. In this way, the Outside Directors contribute to the improvement of the rationality and objectivity of the Company's business execution and of the deliberations and decisions of the Board of Directors. In addition, some of the Outside Directors contribute to ensuring appropriateness, soundness and transparency in the election and remuneration, etc. of Officers by responding to inquiries from the Board of Directors as members of the Advisory Committee.

The Company realizes accurate, rapid decision-making and efficient business execution via the Management Committee, which is held in principle every week and where agendas submitted to the Board of Directors and other agendas that are critical enough to affect management are deliberated on.

The Company has introduced an executive officer system for business execution in accordance with decisions of the Board of Directors. Substantial authority has been delegated to Executive Officers in their designated areas of responsibility, while Directors, as appropriate, receive reports on the status of execution from Executive Officers and monitor the Executive Officers. In addition, Executive Officers report to the Board of Directors as needed. (To clarify management responsibility and executive responsibility, the terms of office of Directors and Executive Officers have been fixed at one year.) Also, Executive Officers should be individuals who can realize accurate and swift decision-making regarding business execution and efficient business execution. The Board of Directors shall decide the

commissioning of Executive Officers and disclose their reasoning.

In order to promote transparent management and create a flexible and open corporate culture, the Company established the Management Ethics Committee, chaired by the President, and also forms in-house committees as necessary to address issues that are important from a management perspective, such as compliance, safety, customer satisfaction, and risk management. This structure facilitates the sharing of information within the Tokyo Gas Group as well as deliberations and adjustments regarding the Tokyo Gas Group's overall direction.

(2) Matters on functions of auditing and supervision

a. Audit & Supervisory Board Members' audits

The Audit & Supervisory Board Members meet once a month in principle and otherwise as needed. The five members of the board, which include three Outside Audit & Supervisory Board Members, conduct deliberations and make reports. In line with the Audit & Supervisory Board Members' audit standard, Audit & Supervisory Board Members attend meetings of the Board of Directors, the Management Committee, and other important meetings. They state their opinions relating to legality and other perspectives when necessary. In addition, they conduct research into the state of operations at the head office, business offices, and subsidiaries. They also hold discussions with Directors to exchange opinions, both on a regular basis and otherwise as needed.

In addition, the Company has put a system in place to effectively strengthen the Audit & Supervisory Board Members' auditing function. The Audit & Supervisory Board Members cooperate closely with the Internal Audit Department, which is the internal audit organization, and with the Accounting Auditor and strictly audit the execution of duties by the Directors, targeting the completion and enhancement of a high-quality corporate governance system. In regard to the internal control for financial reporting, the Audit & Supervisory Board Members receive evaluations of internal control and reports on the status of audits from the Board of Directors, etc., and KPMG AZSA LLC, and demand explanation as needed.

In making judgments about matters related to the independence of Outside Officers, such as capital, transactions, and relationships, the Company comprehensively verifies that they are unlikely to have conflicts of interest with general shareholders and they are in a position that enables them to be objective and neutral, and on that basis the Company makes a judgment on their independence. (The Company discloses its Independence Standards for Outside Officers on its website. ([www.tokyo-gas.co.jp/IR/english/gvnnc/pdf/independence.pdf](http://www.tokyo-gas.co.jp/IR/english/gvnnc/pdf/independence.pdf))). The Advisory Committee has confirmed that none of the Outside Audit & Supervisory Board Members has a material interest with the Company—in regard to capital, transactions, or relationships—and has confirmed their independence in accordance with the above standards. The committee's decision has been reported to the Board of Directors, which has designated them as Independent Officers. The Outside Audit & Supervisory Board Members conduct audits from an independent viewpoint and contribute to improving the rationality and objectivity of the Company's business execution and of the deliberations of the Board of Directors through their statements at meetings of the Board of Directors. In addition, through their statements and the exercise of their majority voting rights at meetings of the Audit & Supervisory Board, the Outside Audit & Supervisory Board Members contribute to assuring and improving the legality, appropriateness, rationality, and objectivity of the audits by the Audit & Supervisory Board Members. In addition, with the objective of assuring the effectiveness of audits by the Audit & Supervisory Board Members, the Company invites Outside Audit & Supervisory Board Members who have a substantial degree of knowledge about finance and accounting. Some of the Outside Audit & Supervisory Board Members contribute to ensuring appropriateness, soundness and transparency in the election and remuneration, etc. of Officers by responding to inquiries from the Board of Directors as members of the Advisory Committee.

The Company established the Audit & Supervisory Board Members' Office (with a staff of five, as of the filing date of this report) as a framework for supporting Audit & Supervisory Board Members in performing their duties. The office operates independently of any unit executing operations within the Company and provides assistance for auditing by the Audit & Supervisory Board Members.

b. Internal auditing

The Company established the Internal Audit Department (with a staff of 36, as of the filing date of this report), as an internal audit organization, thereby providing a framework to enable specialist audits to be performed effectively from the perspectives of accounting, operations, compliance, and the information system. The Internal Audit Department audits the Company and its subsidiaries

from a fair and objective standpoint periodically and when deemed necessary.

Results of internal audits are reported to the President, the Management Committee, the Board of Directors, and the Audit & Supervisory Board Members. If amelioration is required, the Internal Audit Department obtains notification of proposed amelioration measures from the operating unit in question and follows up on progress in implementing the measures.

The internal auditing process and measures detailed above are evaluated by an external specialist once every five years in principle.

c. Independent Auditors

The Company has concluded an auditing contract with KPMG AZSA LLC for auditing services based on the Companies Act and auditing services based on the Financial Instruments and Exchange Act, as well as internal control audits based on the Financial Instruments and Exchange Act, and the Company is being audited on that basis.

The Company's audits are handled by three certified public accountants— Yoshihide Takehisa, Toshiyuki Tamura, and Yoshihiro Uehara. For each of these auditors, the number of consecutive years of auditing service is seven years or less (as of the filing date of this report).

(3) Matters on the function of nomination

As detailed above.

(4) Matters on the function of remuneration decisions, etc.

As detailed above.

### **3. Reasons for Adoption of Current Corporate Governance System**

The Company adopted the current corporate governance system as a result of considering its business activities, scale of operations, and other relevant matters in a comprehensive manner.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the Shareholders Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of Shareholders Meeting	<ul style="list-style-type: none"> <li>The Company sends out its notices of convocation timely to ensure approximately one month for shareholders to consider proposals.</li> </ul>
Allowing Electronic Exercise of Voting Rights	<ul style="list-style-type: none"> <li>In addition to use of voting forms, the Company offers electronic exercise of voting rights via personal computer or smartphone.</li> </ul>
Participation in Electronic Voting Platform	<ul style="list-style-type: none"> <li>The Company has been using the Tokyo Stock Exchange's electronic voting platform for its institutional investors since the platform was launched in 2006.</li> </ul>
Providing Convocation Notice in English (Fully or Partially)	<ul style="list-style-type: none"> <li>Since the 202nd Annual Shareholders Meeting in 2002, the Company has enclosed English-language notices of convocation when sending notices of convocation to foreign shareholders.</li> <li>English-language notices of convocation are posted on the Company's website and submitted for public inspection via the listing stock exchanges in the same way as Japanese-language notices of convocation.</li> </ul>
Other	<ul style="list-style-type: none"> <li>Notices of convocation are posted on the Company's website.</li> <li>The Company employs visual presentation media during Shareholders Meetings, including videos and PowerPoint presentations.</li> </ul>

#### 2. IR Activities

	Supplementary Explanations	Explanation provided by representative in person
Preparation and Publication of Disclosure Policy	URL: <a href="http://www.tokyo-gas.co.jp/IR/english/irpolicy_e.html">www.tokyo-gas.co.jp/IR/english/irpolicy_e.html</a> <ul style="list-style-type: none"> <li>The Company has prepared a disclosure policy, which it revises as necessary and publishes on its website.</li> </ul>	
Regular Investor Briefings for Individual Investors	The Company conducts briefings for individual investors at investment seminars organized by securities companies and other events.	None
Regular Investor Briefings for Analysts and Institutional Investors	In addition to holding briefings when announcing interim and year-end financial results, medium-term management plans, etc., the Company also holds briefings as necessary when announcing quarterly financial results or disclosing other important matters.	Yes
Posting of IR Materials on Website	URL: <a href="http://www.tokyo-gas.co.jp/IR/english/index.html">www.tokyo-gas.co.jp/IR/english/index.html</a> <ul style="list-style-type: none"> <li>Financial results</li> <li>Documents relating to financial results briefings (presentation materials, presentation materials including additional explanations, key questions and answers, etc.)</li> <li>Documents relating to other briefings (for institutional investors or individual investors)</li> <li>Documents relating to Shareholders Meetings (notices of convocation, notices of resolution)</li> <li>Annual Report</li> </ul>	

	<ul style="list-style-type: none"> <li>• Investors' Guide (Factbook)</li> <li>• Annual and quarterly Securities Reports (in Japanese only)</li> <li>• To Shareholders (Shareholder Newsletter) (in Japanese only)</li> <li>• The Company discloses a variety of other information including messages from senior management and clear explanations of the Company's business for individual investors.</li> </ul>	
Establishment of Department and/or Manager in Charge of IR	<ul style="list-style-type: none"> <li>• Department in charge: IR Group of Finance Dept.</li> <li>• Officer in charge: Isao Nakajima, Senior Managing Executive Officer, CFO</li> <li>• Administrative contact: Yuko Okamura, Manager of IR Group of Finance Dept.</li> </ul>	
Other	<ul style="list-style-type: none"> <li>• The Representative Directors visit investors in Japan and overseas in person to explain the Company's management strategies, etc.</li> <li>• The Company offers tours of its facilities and other visits as necessary to promote investors' understanding of Tokyo Gas as a company.</li> <li>• The Company offers tours of its facilities to promote individual investors' understanding of Tokyo Gas as a company.</li> </ul>	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Internal Rules, etc. Stipulated for Respecting the Position of Stakeholders	<p>Internal rules are stipulated in the Management Philosophy and Corporate Action Philosophy.</p> <p>(1) Management Philosophy</p> <p>As an “energy frontier corporate group” that focuses on natural gas, the Tokyo Gas Group aims at the realization of comfortable lifestyles and environmentally friendly cities and works to ensure continued development while consistently earning the trust of customers, shareholders, and society.</p> <p>(2) Corporate Action Philosophy</p> <ol style="list-style-type: none"> <li>1. We will continue to grow while maintaining awareness of our company's public mission and social responsibilities.</li> <li>2. We shall provide quality products and services, and endeavor always to improve customer satisfaction.</li> <li>3. We will hold ourselves to high ethical standards, and fairly and transparently conduct corporate activities while observing both the letter and the spirit of related laws and ordinances.</li> <li>4. We will contribute to alleviating global environmental problems as a top runner in environmental management.</li> <li>5. We will remain keenly aware of our obligations to be a good corporate citizen and work towards the betterment of society by contributing to community activities.</li> <li>6. We will pursue continual innovation to promote a cost-effective business approach that is both flexible and resilient.</li> <li>7. We will aspire to build organizations that are based upon the full exercise of, and respect for the talents, desires, and creativity of each and every employee.</li> </ol>

Implementation of Environmental Activities, CSR Activities, etc.	<p>(1) Promotion of CSR Management The Company promotes CSR management, establishing guidelines based on CSR to fulfill its social responsibility and public mission by conducting day-to-day business operations that put its Management Philosophy and Corporate Action Philosophy into practice.</p> <p>(2) Creation of a CSR Promotion System The Company created a CSR promotion system by establishing a CSR Promotion Committee chaired by the Officer in charge of CSR (the functions of the CSR Promotion Committee were transferred to the Corporate Communications Promotion Committee in fiscal 2011) and a dedicated organization within the Corporate Communications Department in fiscal 2004.</p> <p>(3) Identifying Specific Issues and Promoting a PDCA (Plan-Do-Check-Act) Cycle Based on the results of an evaluation of the importance to the stakeholders and the Company, specific issues (materiality) are identified. CSR indicators are established, and the PDCA cycle is implemented to connect to the evaluation and improvement of results achieved through business activities. In fiscal 2017, we conducted a review of materiality, and in addition to identifying 11 elements of materiality, we organized our approach into three key fields of materiality (1 stable domestic and overseas energy supply, 2 the creation of a strong energy platform, and 3 a society-wide shift to low carbon through energy supply) as well as our fundamental initiatives. Furthermore, in addition to spreading and establishing the basic approach and key activities in our CSR management among Group employees, by reflecting the opinions we received through communication activities with our stakeholders, we are working to deepen our CSR activities.</p> <p>(4) Environmental Protection Activities Based on our Management Philosophy and Corporate Action Philosophy, we have established “Environmental Policies” and are promoting environmental management. Based on the “Environmental Policies,” we have established Environmental Protection Guidelines including “Global Warming Countermeasures,” “Promoting Resource Saving,” “Promoting Biodiversity Conservation,” “Promoting Environmental Communication,” and “Promoting the Development of Environment-related Technology” to create and exercise environmental management.</p>
Formulation of Policies on Information Provision to Stakeholders	Our Code of Conduct stipulates that “In order to earn trust we will improve the transparency of our business activities and provide accurate information proactively and promptly to our customers and shareholders, to communities in the localities where we operate, and to others.” The Company therefore takes appropriate measures to disclose information to its customers and other stakeholders. We formulated the “Approach to Stakeholder Engagement,” which stated that the Tokyo Gas Group’s all officers, employees build positive relationships with each stakeholder and aim to achieve sustainable growth together with society. Furthermore, we take appropriate measures to disclose information to its customers and other stakeholders in the “Tokyo Gas CSR Report” and other publications. ( <a href="http://toko-gas.disclosure.site/en/">toko-gas.disclosure.site/en/</a> )

Other	<p>(1) Customers            In order to continue as a corporate group that customers can rely on and trust, the Company works to enhance customer satisfaction (CS) for the Tokyo Gas Group by listening seriously to the opinions of customers received via channels including Customer Centers, various investigations, and opportunities to connect with customers, etc., and taking action such as improving services and the quality of work performed.</p> <p>(2) Shareholders            The Company will apply the cash flow it has generated based on “Challenge 2020 Vision” to investments in ‘Enhancing the LNG Value Chain,’ which is aimed at new growth, and will simultaneously allocate the results of its management to the shareholders in an appropriate and timely manner. (Targeted gross distribution propensity*: at about 60% for each year until FY2020)</p> <p style="text-align: center;">* <math>\{(n \text{ FY total dividends}) + (n+1 \text{ FY acquisition of own shares})\} / n \text{ FY consolidated net income}</math></p> <p>(3) Local communities            The Company engages in activities aimed at responding to local community needs (in terms of disaster management, public safety, the environment, education, etc.) determined by means of public consultation and public relations activities involving local governments and residents.</p> <p>(4) Employees            The Company recognizes that allowing each and every employee to work while maximizing his or her knowledge, capabilities, and experience is critical to ensuring its growth as a company, and it therefore promotes the success of a diverse pool of human resources. In specific terms, it promotes measures to broaden the fields in which women can excel by upgrading its support system for parents, actively supporting career development, and otherwise improving the working environment. Other initiatives include measures to create an accommodating working environment for employees who provide care for family members and those with disabilities.</p>
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## **IV. Matters Related to the Internal Control System**

### **1. Basic Views on Internal Control System and Progress of System Development**

The Tokyo Gas Group developed and operates the internal control system described below to secure management soundness and transparency and to put its Management Philosophy into practice.

1. Corporate structure and system for ensuring that Directors will execute their duties in conformity with the relevant acts, the Articles of Incorporation and other rules and regulations, and progress of system development
  - (1) The Company established the ‘Corporate Action Philosophy’ and ‘Our Code of Conduct’ as the foundations of the compliance structure/system at the Company and its subsidiaries shall comply with them.
  - (2) In order to ensure that its Directors and employees will comply with the ‘Relevant Acts’, the ‘Management Philosophy’, the ‘Corporate Action Philosophy’ and ‘Our Code of Conduct’ the Company, pursuant to the provisions of the ‘Business Ethics Committee Regulations’, established a Business Ethics Committee (chaired by the President) as a deliberating/coordinating organ to promote proper development/operation of the compliance structure and system at the Company and its subsidiaries.
  - (3) Having stipulated a maximum of 15 Directors, the Company appointed an appropriate number of Outside Directors and introduced an Executive Officer system in order to clarify separation of supervisory functions of management from executive functions of management and strengthen the managerial decision-making and supervisory functions of the Board of Directors. (The Company currently has three Outside Directors and five Inside Directors.)
  - (4) The Company, in order to ensure objectivity and transparency of management, established the Advisory Committee comprising Outside Directors, Outside Audit & Supervisory Board Members and the Company’s Directors as an advisory organ for deliberating on Officer nominees and officer remuneration, etc.
  - (5) The Board of Directors, pursuant to the provisions of the ‘Regulations of the Board of Directors’, established the ‘Basic Policy on Development of Internal Control System’ and is applying this policy in an appropriate manner.
  - (6) Directors charged with the business execution shall fulfill their role and responsibility for developing a system of internal controls in accordance with the basic policy determined by the Board of Directors.
  - (7) The Company established ‘Regulations Concerning the Formulation, Implementation and Evaluation of Internal Controls Covering Financial Reporting’ and, based on these Regulations, evaluates the effectiveness of internal controls relating to financial reporting and ensures the reliability of financial reports.
  - (8) The Company established ‘Regulations Concerning Insider Trading Prevention and Timely Disclosure’ and, based on these Regulations, prevent the practice of insider trading and associates and ensures the appropriateness and promptness of information disclosure that is demanded of all listed corporations by the ‘Securities Listing Regulations’.
  - (9) Directors, if they discover any matter that may exert a material influence on management of the Company and its subsidiaries, shall inform the Board of Directors and Audit & Supervisory Board Members of the said matter without delay.
  - (10) The Company established a corporate structure and system where Audit & Supervisory Board Members would be empowered to implement strict audits on the duties executed by Directors in accordance with the ‘Audit Standards’.
2. Corporate structure and system for preserving and managing information relevant to execution of Directors’ duties, and progress of system development  
The Company shall preserve and manage information relevant to execution of Directors’ duties in a proper and secure manner according to preservation media and keep the said information available for inspection as needed, pursuant to the ‘Document-handling Regulations’ and the ‘Information Security Management Regulations’. (Documents and minutes from Board of Directors meetings are stored for a minimum of 10 years.)
3. Corporate structure and system for ensuring that Directors’ duties will be executed in an efficient manner, and progress of system development

- (1) The Board of Directors passes resolutions on the agendas submitted for deliberation and resolution pursuant to the provisions of the relevant acts, the Articles of Incorporation and the 'Regulations of the Board of Directors' and, pursuant to the provisions of the said Regulations, in principle convenes one meeting per month. Of the agendas submitted to the Board of Directors, those agendas which require prior deliberations or are otherwise critical enough to affect management are deliberated on at the Management Committee comprising Executive Officers with Titles. The Management Committee in principle convenes one meeting per week.
  - (2) Details of the persons in charge of business execution based on the decisions of the Board of Directors, their responsibilities, and the relevant executing procedures are prescribed in the 'Execution Framework Regulations'.
  - (3) The Representative Director reports the status of business execution to the Board of Directors pursuant to the provisions of the 'Regulations of the Board of Directors' as needed.
  - (4) The Board of Directors formulates medium- and long-term management plans, single-year management plans, and business strategies, and, based on them, establishes principal management objectives and verifies progress periodically, thereby ensuring that Directors execute their duties in an efficient and effective manner.
4. Corporate structure, system and regulations on management of risks of loss, and progress of system development
- (1) The Board of Directors established 'Risk Management Policy' to promote the management of risks incurred by the Company and its subsidiaries, as well as a Risk Management Committee and a risk management unit. In addition, the Board of Directors specifies Material risks associated with business execution by the Company and its subsidiaries, and reviews them annually.
  - (2) All the units concerned with projects involving investments, equity participations, loans and debt guarantees evaluate their profitability and risks and, based on the said evaluation, submit the relevant agendas to the Management Committee or the Board of Directors for approval. Derivative transactions are executed pursuant to the provisions of the 'Regulations on Management of Market Risks'.
  - (3) In the event, or the prospective event, of an emergency such as a natural disaster, major production or supply disruption, an outbreak of a new strain of influenza, or a major failure of a mission-critical IT system, the Company puts the prescribed corporate structure and system in place in accordance with the 'Emergency Response Regulations,' and responds promptly and appropriately. In order to ensure an effective response, comprehensive disaster drills and other training are conducted every year. In addition, the Company has formulated a business continuity plan (BCP), outlining its responses in the event of a major earthquake of the magnitude assumed by Japan's Cabinet Office, a major accident disrupting gas supply, a widespread blackout, an outbreak of a new strain of influenza, or other emergency.
  - (4) The Company established a corporate structure and system that would cause each of its unit and subsidiaries to grasp risks associated with operational execution on its own, and manage such risks by formulating and implementing necessary countermeasures on its own.
  - (5) The Company takes steps to prevent losses from growing and to improve the overall level of risk management at the Company and its subsidiaries. To this end, it established escalation rules in 'Emergency Response Organization Regulations,' to make doubly certain that relevant information would be reported to a superior at the necessary level in a timely and appropriate manner.
5. Corporate structure and system for ensuring that employees will execute their duties in conformity with the relevant acts, the Articles of Incorporation, and other rules and regulations, and progress of system development
- (1) In order to facilitate proper development/operation of the compliance structure and system within the Company and its subsidiaries, the Company established a Compliance Department and Compliance Committees in operating units. The Business Ethics Committee and Compliance Committees in operating units collaborate to formulate and implement plans. In addition, the Company established a 'Tokyo Gas Compliance Consulting Unit' to offer consulting services for the whole of the Company and its subsidiaries on contraventions of the acts and the Articles of Incorporation and other questionable compliance-related practices and acts.
  - (2) The Company established a legal affairs unit with the General Administration Department with a view to further bolstering the corporate structure and system in which its Directors and employees

- will fully comply with the Antitrust Act, the Gas Enterprises Act, terms and conditions of gas supply, etc.
- (3) Audit & Supervisory Board Members are empowered to audit the status of development/operation of the Company's compliance structure and system and, if they detect or discover any problem, they would be entitled to demand that the situation be ameliorated.
  - (4) The Company established an Internal Audit Department which must operate independently of any unit executing operations. The Internal Audit Department audits the status/operation of accounting, operations, compliance, information system and risk management in the Company and its subsidiaries in accordance with the 'Internal Audit Regulations', and reports its findings to the president, the Management Committee, the Board of Directors and Audit & Supervisory Board Members.
6. Corporate structure and system for ensuring appropriateness of operations at the corporate group including subsidiaries, and progress of system development
- (1) The Company demands that its subsidiaries comply with the 'Corporate Action Philosophy' and the 'Our Code of Conduct' and requests to establish those rules and regulations which would be necessary for ensuring the appropriateness of operations as necessary. Each one of the subsidiaries' Directors and Audit & Supervisory Board Members assumes the duty of due care and diligence of a good manager in ensuring the appropriateness of operations.
  - (2) The Company prescribed 'Regulations on the Management of Subsidiaries', and established a corporate structure and system where its Directors would be empowered to manage its subsidiaries by approving and receiving reports on important matters including those related to its exercise of shareholder's rights vis-à-vis the subsidiaries. The Company retains part of its official responsibilities and authorized powers over subsidiaries' business operations.
  - (3) If for purposes of subsidiaries management any of the Company's subsidiaries is found to have a compliance-related problem including contravention of the acts or the Articles of Incorporation, the relevant subsidiaries would be required to report such a problem to Compliance Department or other units of the Company as appropriate. In connection with the said problem, each one of the relevant subsidiaries' Directors and Audit & Supervisory Board Members assumes the duty of due care and diligence of a good manager.
  - (4) If any of the Company's Directors detects or discovers any principal compliance-related problem at any subsidiaries including contravention of the acts or the Articles of Incorporation, he/she shall report the said problem to the Management Committee, the Board of Directors and Audit & Supervisory Board Members without delay.
  - (5) The Company established a corporate structure and system where its Audit & Supervisory Board Members would be able to conduct their audits of subsidiaries in an efficient and effective manner in close coordination with Audit & Supervisory Board Members of the relevant subsidiaries and Internal Audit Department. If audit findings reveal the presence of a problem in ensuring the appropriateness of operations of the whole of the Company and its subsidiaries, Audit & Supervisory Board Members would be empowered to demand that the relevant Director ameliorate the situation.
  - (6) Internal Audit Department is able to conduct its audits of subsidiaries in an efficient and effective manner in close coordination with the Audit & Supervisory Board Members of the Company and subsidiaries, and reports its findings to the president, the Management Committee, the Board of Directors, Audit & Supervisory Board Members, and the Directors and Audit & Supervisory Board Members of the relevant subsidiaries.
7. Matters related to employees who are assigned to assist in the duties of Audit & Supervisory Board Members, and matters related to independence of the relevant employees from Directors
- (1) With the aim of providing its Audit & Supervisory Board Members with necessary assistance, the Company established an Audit & Supervisory Board Members' Office staffed by full-time personnel who would operate independently of any unit executing operations.
  - (2) The Board of Directors passes a resolution on appointment or dismissal of the manager of the Audit & Supervisory Board Members' Office subject to consent of Audit & Supervisory Board Members. The Board of Directors decides on human resources-related matters of the said manager and other employees subject to consent of Audit & Supervisory Board Members.

8. Corporate structures and systems for reporting by Directors and employees to Audit & Supervisory Board Members, for other reporting to Audit & Supervisory Board Members, and for ensuring that Audit & Supervisory Board Members' audits will be executed in an effective manner, and progress of system development
  - (1) The Company established a corporate structure and system where its Audit & Supervisory Board Members would be able to demand, as needed, that Directors and employees inform them of any matters necessary for execution of their duties.
  - (2) The Company guarantees that Audit & Supervisory Board Members will have an opportunity to exchange views with Directors as needed; that they will be allowed to attend principal meetings and express their views on lawfulness, etc. as needed; and that they will have access to important information.
  - (3) The Company established a corporate structure and system where its Audit & Supervisory Board Members would be able to ensure the effectiveness of their audits by coordinating with Independent Auditor, Audit & Supervisory Board Members of its subsidiaries and Internal Audit Department.

## **2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts**

At the Tokyo Gas Group, which is of extremely high public interest as a utility, one of the Management Philosophy is ‘continuing to grow while enjoying the constant trust of society’. The Company takes a resolute stance and response against illegal demands from anti-social forces, and its basic policy is to exclude anti-social forces.

Specifically, ‘Our Code of Conduct’ stipulates ‘a resolute response to anti-social forces’. Group training and study sessions provide complete education regarding this matter, and the Company has assigned a business unit responsible for responding to anti-social forces and prepared a communications and consultation system for when improper demands or other acts by anti-social forces occur.

The Company also maintains close ties with the police and outside expert bodies, and works to collect the necessary relevant information.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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#### Supplementary Explanation

The Company established the ‘Basic Policy on the Management Philosophy and Control of the Tokyo Gas Group’ described below.

The Tokyo Gas Group supplies city gas in a safe and stable manner to roughly ten million accounts of corporate and individual customers mainly in the greater metropolitan Tokyo region, and conducts businesses of extremely high public interest by offering the best possible mixture of various energies including gas, heat and electricity and their added values, and by helping customers lead a comfortable life and build environment-friendly cities. The Group makes it one of its fundamental philosophies to continue to grow while enjoying a constant trust of its customers and shareholders.

On the strength of this management philosophy and medium- and long-term business strategy, it is the basic management policy of the Company to achieve stable long-term management and steady enhancement of corporate value by simultaneously allocating profits to its customers, shareholders and other stakeholders in a stable and balanced manner. The Company will distribute the financial returns to shareholders based on the ‘Policy on Determination of Dividends from Surplus and Others’ prescribed separately.

The Company, as a listed company, expects it could be posed by any party attempting to acquire a massive quantity of its shares or making a buyoff proposal, but whether to accept it should ultimately be determined by the intent of the entire body of the Company’s shareholders. By looking at their purpose, method and others, however, the Company considers some of these massive share-purchasing attempts could damage its corporate value and joint interests of its customers and shareholders, and would find them to be inappropriate. In making this judgment, the Company would carefully examine impacts the relevant act of purchasing or buyoff proposal might have on the Company’s corporate value and joint interests of customers and shareholders on the basis of the relevant purchaser’s actual business operations, future business plans, past investment behavior, etc.

The Company considers ‘increasing corporate value’ is the most effective defensive measure against an act of inappropriate massive share-purchasing. At this particular time, no specific threat to the Company is being posed by buyoff, and the Company does not currently intend to have any specific predetermined measures (the so-called ‘poison pills’) in place. However, the Company does intend to constantly watch the conditions of the trading of its shares and will take immediate countermeasures as deemed appropriate if any party is found to be attempting to acquire a massive quantity of its shares.

### 2. Other Matters Concerning Corporate Governance System

The Company developed and operates an internal structure and system for timely disclosure of corporate information (the timely disclosure system), as described below.

#### 1. Basic stance and policy relating to timely disclosure

In its Corporate Action Philosophy, the Company stipulates that it will grow while maintaining awareness of its public mission and social responsibilities, and will maintain high ethical standards, and fairly and transparently conduct corporate activities while observing both the letter and the spirit of related laws and ordinances.

Based on this philosophy, the Company has established and operates an internal structure and system to enable it to appropriately conduct prompt, accurate, and fair disclosure of corporate information (hereafter, “timely disclosure”) for shareholders and investors as a listed company. Moreover, the Company will continue to develop and strengthen this internal structure and system in future.

#### 2. Corporate structure and system for executing timely disclosure duties

##### (1) Internal structure and system

Within the Company, the General Administration Department is in charge of timely disclosure duties as the unit responsible for information handling. The department formulates internal regulations on timely disclosure and develops the internal structure and system for communication

and management of information, among other duties. The Company appoints information management officers to operating units to communicate information promptly and accurately and to ensure that all employees are aware of the internal regulations. It has also developed a corporate structure and system whereby corporate information for the Tokyo Gas Group including subsidiaries is comprehensively communicated via reports to the operating units in charge in accordance with the Regulations on the Management of Subsidiaries and other regulations.

(2) Communication, judgment, and timely disclosure of corporate information

Based on the internal regulations, each operating unit communicates corporate information relating to resolutions, events, or financial information as prescribed in the Securities Listing Regulations and other regulations to the General Administration Department (the unit responsible for information handling) (such information includes that of subsidiaries; the same applies hereafter). The General Administration Department discusses matters including whether the corporate information thus received is subject to the disclosure standards prescribed in the Securities Listing Regulations and other regulations, and the timing of any disclosure. If it judges that disclosure is necessary, it prepares disclosure documents stating sufficient necessary information whilst paying attention to accuracy and fairness in light of potential impact on investment decisions, etc. Concurrently, the General Administration Department, the Corporate Communications Department, and the Finance Department discuss matters including timely disclosure and publication of the information to the news media and investors. In addition, when necessary, the General Administration Department makes inquiries to the Finance Department, the Accounting Department, and other departments in order to ascertain the potential impact of such corporate information on business operations, operating results, or the Company's financial condition. The disclosure documents prepared by the General Administration Department are officially approved by internal bodies including the Management Committee and the Board of Directors, then the General Administration Department reports and discloses them in a timely and appropriate manner via the Timely Disclosure network (TDnet). The Company also posts disclosure documents on the IR section of its website with the aim of enhancing fairness in information provision.

(3) Training, education, and ensuring awareness

The General Administration Department periodically offers training on timely disclosure and prevention of insider trading to the information management officers in each operating unit. For Officers, employees, and others at the Company and its subsidiaries it cooperates with the Compliance Department to offer training on information management to avoid contravening insider trading regulations. It also strives to ensure that employees are aware of the importance of information management. In addition, the General Administration Department is taking measures to educate Officers and employees and provide information relating to timely disclosure and related matters by providing content relating to timely disclosure and insider trading regulations on the company intranet.

(4) Monitoring structure and system

As part of its compliance-related audits, the Internal Audit Department, which is the internal audit organization, periodically conducts monitoring to confirm whether timely disclosure is being conducted in compliance with the relevant laws and regulations and the Securities Listing Regulations. It reports the results of this monitoring to senior management, and has developed a corporate structure and system to provide guidance for improvement when necessary.

As part of their auditing of the legality and appropriateness of the duties executed by Directors and the internal control system, the Audit & Supervisory Board Members periodically monitor the implementation of duties relating to timely disclosure.