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**NIPPON GAS Co., Ltd.**

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

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

### 1. Basic Views

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

<Corporate governance system>

- The Company elected a corporate governance system of a company with an Audit Committee. This is because the Company believes that a system that allows each corporate auditor to exercise audit authority in a speedy manner is appropriate, considering the size of its business and the organizational structure of the company, while emphasizing a well-balanced control of its unique business model by both internal and external directors.
- The Board of Directors is composed of two-thirds internal directors, as the Company believes that decision-making by directors who have in-depth knowledge of the business is important. On the other hand, the Nomination and Remuneration, Environmental, etc., Committee (“NR&E Committee”) (formerly ESG Management Promotion Committee), in which a majority of members are composed of non executive officers and the chairman is an outside director, has been consulting with the Board of Directors regarding nomination and remuneration functions.
- This system ensures the soundness, transparency, and efficiency of management, and ensures the appropriateness of operations.

The NR&E Committee, under the name of the ESG Management Promotion Committee, has been advising on ESG-related matters and reporting to the Board of Directors since 2020 as an advisory body to the Board of Directors. As a result of discussions on the purpose of its activities, the Committee has decided to change its name to the NR&E Committee, confirming that the most important matters to consider are nomination (personnel) and remuneration, which form the core of the monitoring function of the Board of Directors, and the environment, which is a key of medium- to long-term strategies. The Company believes that this name change will clarify the purpose of the Committee's activities and make the governance system easier to understand for stakeholders.

The Company recognizes that relationships of trust with all stakeholders, including shareholders and investors, customers, business partners, employees, and local communities, are essential for the enhancement of corporate value over the medium- to long-term and strives to maintain interactive communication. For constructive dialogues with shareholders and investors, the Company has developed a system to allow the top executive and other officers to actively participate in the dialogues, while the department specialized in investor relations will respond to individual interviews as a contact. Useful opinions acquired through dialogues with shareholders and investors are shared by the Board of Directors and discussed with the Board members.

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

Based on the revised Corporate Governance Code of June 2021, including matters regarding the Prime Market. The Company complies with all principles of the Corporate Governance Code.

## Disclosure Based on the Principles of the Corporate Governance Code

[Principle 1-3] (Basic Capital Policy)

The Company recognizes capital policy as a strategy to maximize the performance of shareholders' equity. The Company has set ROE as its most important financial KPI and recognizes that improving ROE is an important management objective. This is because ROE serves as a fundamental measure of investment returns for its shareholders and a straightforward indicator of how efficiently the management has increased the entrusted shareholders' equity. To enhance ROE, the Company is committed to a capital policy of not holding unnecessary shareholders' equity while improving ROIC. Without significantly increasing its overall asset size, the Company will continue to accumulate higher profit generating assets, such as LP gas and IT-related assets, and optimize the capital-to-asset ratio by reducing it, aiming for ROE of 22% in the fiscal year ending March 31, 2026. The Company's policy is to maximize the improvement of ROIC by not holding unnecessary shareholders' equity beyond an appropriate level. This, in turn, contributes to the enhancement of ROE to the greatest extent possible. Regarding shareholder returns, after the construction of its LP gas hub filling plant and other projects, the Company has continued to maintain a level of almost 100% of net profit every year as it is able to grow without additional large-scale investments and does not need to accumulate shareholders' equity. In the three-year plan, the Company has further evolved its return policy by optimizing the capital-to-asset ratio and returning additional capital, thus exceeding 100% of net income. Regarding the breakdown of returns, the Company emphasizes on dividends, and regarding share buybacks, the Company will make purchases at appropriate timings considering the stock price and other factors, providing the best conditions for its shareholders. For details on the capital policies, refer to [Principle 5-2] (Formulation and Announcement of Management Strategies and Plans) [Supplementary Principle 5-2①] and "Action to Implement Management that is Conscious of the Cost of Capital and Stock Price."

[Principle 1-4] (Cross Shareholding)

The Company has a policy of not holding cross-shareholdings. The Company believes that cross-shareholdings held by the Company hinder the improvement of return on assets, and that the elimination of cross-shareholdings held by counterparties will lead to better corporate governance for the Company. Based on this belief, the Company promptly undertook a review of its cross-shareholdings and, by the end of January 2022, had dissolved all cross-shareholdings, including those held by other counterparties.

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

The Company undertook a review of its cross shareholdings, in the fiscal year ended March 31, 2017, and began dissolving cross shareholdings, mainly with financial institutions in which the Company had a large balance of holdings. From the fiscal year ended March 31, 2021, the Company also began terminating its cross shareholdings in gas equipment-related companies, which are strongly related to its energy business, and eliminated all cross shareholdings by the end of January 2022. As a result, the Company sold stocks in 18 companies over the five years from the fiscal year ended March 31, 2018 to the fiscal year ended March 31, 2022.

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

Our business partners agreed with our policy of dissolving cross-shareholdings, and they also dissolved the shares they held in the Company for policy purposes. The Company began with financial institutions and other business partners, and from the fiscal year ended March 31, 2021, gas equipment manufacturers agreed with our policy, and by the end of January 2022, all shares held by other companies as cross-shareholdings were sold.

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

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

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

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

[Principle 1-5] (Anti-Takeover Measures)

The Company abolished the corporate value enhancement plan (anti-takeover measures) at the 63rd General Meeting of Shareholders held on June 28, 2017. In the event of a sincere proposal for a large-scale purchase of the Company's shares by another company, the Company will consider that proposal sincerely from the perspective of the interests of its shareholders and other stakeholders and the medium- to long-term improvement of its corporate value. In addition, the Company will take appropriate measures in accordance with applicable laws and regulations, such as providing information to enable shareholders to appropriately determine the merits of the large-scale purchase, disclosing the Board of Directors' opinions, etc., and striving to ensure that shareholders have sufficient time and information to consider the proposal.

[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 2-1] (Formulation of Management Philosophy as a Foundation for Enhancing Corporate Value over the Medium- to Long-Term)

<Management Philosophy>

(1) Contributing to Local Communities

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

(2) Aiming for Sustainable Corporate Growth

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

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

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

The Company believes that for a company to grow sustainably, in addition to securing profits, it is essential to co-prosper with the wide range of stakeholders surrounding the company, including the environment and society, and to establish a governance system to achieve such co-prosperity. The Company has established the NR&E Committee as a voluntary advisory committee to the Board of Directors to emphasize sustainability in its discussions. Policies for addressing sustainability issues are decided by the Board of Directors after discussion by the Committee, and the Management Meeting and departments take the lead in addressing these issues.

\*For the details and the status of information disclosure regarding these efforts, please refer to [Supplementary Principle 3-1-③] (Initiatives on sustainability, etc.) below.

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

The Company believes that in order to respond to the diverse needs of local communities, achieve sustainable growth, and enhance corporate value over the medium- to long-term, it is important for employees with various backgrounds and ideas to proactively think and take on challenges, deepen discussions from various perspective, and complement one another while evolving the Company. Based on this belief, the Company is focusing on creating an environment where individuals can maximize their abilities regardless of gender, age, nationality, whether they are a new graduate or a mid-career hire, or educational background. The Company also fairly

evaluates the willingness to take on challenges and promotes individuals to senior positions accordingly. The Company's targets and progress in this respect are as follows.

### 1. Promotion of Diversity

#### (1) Career development for women:

The Company believes that restrictions on opportunities based on gender hinder the improvement of corporate value, and it promotes the active participation of women. Although men make up approx. 80% of its workforce due to physically demanding tasks such as transporting LP gas cylinders weighing approx. 90 kg, with the expansion of its operations, including the New City Gas Business and the Electricity Business, women are actively participating in various roles, such as sales, gas safety inspectors, and delivery personnel. In the administrative departments, the participation of women is gradually increasing. This includes the Human Resource Department General Manager and the Financial Department General Manager, both of whom are Executive Officers. (The proportion of women in management positions at the Company's headquarters is currently 21.4%.)

As of March 31, 2024, the ratio of female employees (including part-time and temporary employees) in the entire Group is 20.4%, and the ratio of female managers is 3.6%. Through women's career development training and other initiatives, the Company is actively promoting the professional development of women, including self-development and skill improvement. The Company is also encouraging the active participation of women and driving their ability-based advancement within the Company through the creation of positions.

KPI	Target	Progress (end of March 2024)
The ratio of women in managerial positions of the Company	10.0% until the end of March 2026	3.6%
The ratio of female employees of the Company	23.0% until the end of March 2026	20.4%

#### (2) Career development for foreign nationals:

The Company recruits and promotes talented individuals regardless of their nationality. As of the end of March 2024, there were 25 foreign nationals working (including temporary employees) in the Company. Foreign nationals are actively participating in LP gas filling plants and negotiations utilizing the language of their country of origin with partner companies.

#### (3) Active deployment of mid-career employees:

The ratio of mid-career hires at the Company is 56.5%, and the ratio of mid-career hires in managerial positions is 52.7% (as of the end of March 2024). The Company will continue to actively recruit people with skills and abilities, and the willingness to take on the challenge of improving its corporate value, without being bound by ratios.

#### (4) Generational diversity:

The Company promotes capable individuals regardless of age. For instance, the Company has had cases such as a twenty-some year old being appointed as head of its sales offices, and a 37-year-old being appointed as a regional head commanding over 200 people. In terms of recruitment, the Company widely hires individuals who are willing to take on challenges to enhance its corporate value, regardless of age. In April 2024, the Company hired 62 new employees, including 13 high school graduates, who are active in areas such as delivery, safety, and sales. On the other hand, the senior generation utilizes their experience to excel in areas they are skilled in, such as sales, safety, and delivery. They also contribute to the education of younger employees and creating a communicative workplace environment. Since 2021, the Company has extended the retirement age from 60 to 65.

### 2. Internal environment improvement and human resource development policy

The Company believes that enhancing corporate value over the medium- to long-term requires an environment where all employees can utilize their characteristics, align with their life purposes and stages, and maximize their abilities with motivation. To this end, the Company has introduced various systems that allow flexible working styles, such as shortened working hours, flextime, side jobs, maternity and childcare leave, and remote work, to

create a workplace environment where each employee can fully demonstrate their abilities without being restricted by location or time.

The Company also sets the rate of men taking childcare leave as an important indicator. This is because the Company believes that the active participation of men in childcare and housework is indispensable for the promotion of women's participation that it is pursuing. The rate of men taking childcare leave is not only an important indicator of its medium- to long-term growth but also a duty it actively undertakes as a member of society to ensure the sustainable development of Japan as a country. In October 2022, the Company sets a target of 30% for the rate of men taking childcare leave, and the rate has significantly improved to 36.1% in the fiscal year ended March 31, 2023 and 50.8% in the fiscal year ended March 31, 2024, thanks to the introduction of a system that facilitates the use of taking childcare leave by male employees and fosters a corporate culture that encourages them to take such leaves.

Regarding human resource development, the Company recognizes that the driving force for enhancing corporate value over the medium- to long-term is the power of each individual to continuously respond to changes in the internal and external environment and continue to take on new initiatives. To add momentum to its management strategies of Energy Solution and Platform, the Company will strengthen its investment in human capital and maximize corporate value.

For details on its human capital strategy and human resource development activities, refer to pages 14-16 of its "Integrated Report 2023" (URL: <https://www.nichigas.co.jp/en/ir/library/integrated-report>) and its annual securities reports.

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

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

For the Company's policy for Performance of Functions as Asset Owner of Corporate Pensions, refer to Article 11 (Performance of functions as asset owner of corporate pensions) of the Guidelines.

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

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

- (i) The management philosophy, management strategies and management plans are disclosed in the Company's website, integrated reports, and materials for general meetings of shareholders, etc. and explained in business strategy meetings, etc.
  - Management philosophy: "Management Philosophy" on the Company's website (URL: <https://www.nichigas.co.jp/en/corporate/philosophy>)
  - Management strategies and management plans: "CEO Message" on the Company's website (URL: <https://www.nichigas.co.jp/en/corporate/message>)
  - Capital Strategy: (URL: <https://www.nichigas.co.jp/en/ir/library/capital>)
  - Integrated reports (URL: <https://www.nichigas.co.jp/en/ir/library/integrated-report>)
  - Business Strategy Meeting (URL: <https://www.nichigas.co.jp/en/ir/library/meeting>)
- (ii) For the basic views and policies for corporate governance:  
Refer to "I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information" "1. Basic Views" above and the Guidelines attached.
- (iii) Policies and procedures for determining remuneration for Senior Management Executives and Directors:  
Refer to Article 22 of the Guidelines.
- (iv) Policies and procedures of the Board of Directors for the appointment and dismissal of Senior Management Executives and the nomination of candidates for Directors and Corporate Auditors:  
Refer to Article 21 of the Guidelines.
- (v) Explanation of individual appointments, dismissals, and nominations by the Board of Directors based on the above policies and procedures for the appointment and dismissal of Senior Management Executives and the nomination of candidates for Directors and Corporate Auditors:  
The Notice of Convocation the 70th Ordinary General Meeting of Shareholders is posted in Stock Information on the Company's website (URL: <https://www.nichigas.co.jp/en/ir/stock/meeting>).

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

The Company's mission is contributing to local communities through the provision of energy. Toward enhancing its corporate value over the medium- to long-term, the Company will address sustainability issues, such as social and environmental challenges, while providing energy suited to the times.

Policies for addressing sustainability issues will be decided by the Board of Directors after discussions by the NR&E Committee, a voluntary advisory committee to the Board of Directors, and the Management Meeting and departments will take the lead in addressing these issues.

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

The material issues of the Group: (1) building a decarbonized society, (2) developing human capital and promoting diversity, (3) building the foundations of local communities, and (4) strengthening governance.

\* For risks and opportunities associated with each issue, refer to the "Integrated Report 2023."

- Climate change initiatives (TCFD, etc.)

The Company supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and disclosed its strategies to address climate change by identifying risks and opportunities resulting from changes in the business environment through scenario analysis while enhancing its corporate value. The "Integrated Report 2023" enhances scenario analysis and newly discloses quantitative impacts. Details of initiatives are disclosed as appropriate in the integrated reports and other materials.

<Scenario analysis>

	4°C scenario	1.5°C · 2°C scenario
<b>Scenario premises</b>	Scenario based on the extension of current initiatives. Energy regulations are limited and CO <sub>2</sub> emissions do not significantly decline, leading to an average temperature increase of +4°C by 2100. This has a significant impact from climate change.	Significant progress in energy regulations is assumed. Efforts towards decarbonization accelerate, with stronger regulations and technological innovations, limiting the average temperature rise by 2100 to +1.5°C to +2°C.
	4°C scenario	1.5°C · 2°C scenario
<b>Business environment</b>		
<b>Global environment</b>	<ul style="list-style-type: none"> <li>● Temperature rise: Large</li> <li>● Increase and intensification of disasters</li> </ul>	<ul style="list-style-type: none"> <li>● Temperature rise: Small</li> </ul>
<b>Government and regulations</b>	<ul style="list-style-type: none"> <li>● Limited introduction of carbon taxes</li> <li>● Support for the development of decarbonization technologies: Limited</li> <li>● Support for consumer adoption of distributed equipment: Limited</li> </ul>	<ul style="list-style-type: none"> <li>● Comprehensive introduction of carbon taxes</li> <li>● Support for the development of decarbonization technologies: Strong</li> <li>● Support for consumer adoption of distributed equipment: Strong</li> </ul>
<b>Suppliers (raw material procurement)</b>	<ul style="list-style-type: none"> <li>● Delays in renewable energy adoption</li> <li>● Increases in fossil fuel prices</li> </ul>	<ul style="list-style-type: none"> <li>● Increase in handling of renewable energy</li> <li>● Price surge in fossil fuels due to carbon tax implementation</li> </ul>
<b>Customers (consumers)</b>	<ul style="list-style-type: none"> <li>● Decrease in gas demand due to rising temperature</li> <li>● Cost-saving mentality and demand decrease due to higher utility bills</li> <li>● Delay in the adoption of distributed equipment</li> </ul>	<ul style="list-style-type: none"> <li>● Increasing environmental awareness</li> <li>● Increase in demand for Energy Solutions</li> <li>● Increase in demand for distributed equipment</li> </ul>
<b>Partnerships for new technologies/ different industries</b>	<ul style="list-style-type: none"> <li>● Delays in technological innovation</li> </ul>	<ul style="list-style-type: none"> <li>● Technological innovations in decarbonization</li> </ul>
<b>Industry/ energy companies</b>	<ul style="list-style-type: none"> <li>● Increase in exits due to worsening revenue amid reduced consumption</li> </ul>	<ul style="list-style-type: none"> <li>● Increase in demand for Platforms</li> <li>● Increase in exits of businesses unable to adapt to decarbonization</li> </ul>
	4°C scenario	1.5°C · 2°C scenario
<b>Risks, Opportunities</b>		
<b>Risks</b>	<ul style="list-style-type: none"> <li>● Decrease in gas demand due to rising temperature</li> <li>● Increasing costs due to more frequent disasters</li> <li>● Surge in fossil fuel prices</li> </ul>	<ul style="list-style-type: none"> <li>● Increasing costs due to carbon tax implementation</li> <li>● Decrease in fossil fuel demand due to rising environmental awareness</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>● Sales of Energy Solutions</li> <li>● Sales of distributed energy equipment</li> <li>● Industry consolidation</li> <li>● Sharing of the Platforms</li> </ul>	<ul style="list-style-type: none"> <li>● Widespread adoption of Energy Solutions</li> <li>● Increase in sales of distributed energy equipment</li> <li>● Acceleration of industry consolidation</li> <li>● Accelerated sharing of Platforms</li> </ul>

- Investments in human capital

The driving force for enhancing corporate value over the medium- to long-term is the power of each employee to continuously respond to changes in the internal and external environment and take on new initiatives. Considering the transition to a decarbonized and decentralized regional society, the Company will evolve its business from purchasing and selling gas and electricity to: (1) an "Energy Solution" business that proposes optimal energy use for each household and community, and (2) a "Platform" business for sharing its highly efficient LP gas infrastructure with other companies (NICIGAS 3.0). To take on this new challenge, the Company will strengthen investment in human capital and maximize corporate value. Specifically, the Company will focus on skills for optimal use of energy/solution proposal capabilities, Platform/BtoB sales capabilities, and the development of further expertise in DX/digital, securing these skills through: i) human capital reallocation, ii) collaboration partnership, and iii) reeducation (reskilling). Details of these efforts are disclosed in the above [Supplementary Principle 2-4①] (Ensuring diversity in promotion to core human resources, etc.), as well as in its integrated reports and other materials as appropriate.

- Respect for human rights

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

- Ensuring diversity

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

[Supplementary Principle 4-1-①] (Scope of delegation to management)

The Company stipulates in the Board of Directors Regulations the matters to be submitted to the Board of Directors by management and the matters to be reported. Refer to Article 15 (Roles and responsibilities of the Board of Directors) of the Guidelines.

[Supplementary Principle 4-1-③] (Succession plans for the CEO and other top executives)

The succession plans for the CEO and other top executives are discussed by the NR&E Committee and then decided by the Board of Directors, ensuring an objective, timely, and transparent process.

[Supplementary Principle 4-2-①] (Roles and responsibilities of the Board of Directors, management remuneration scheme)

Remuneration for Directors and Executive Officers of the Company consists of performance-linked remuneration, which is basic remuneration linked to 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 higher the position, the higher the proportion of stock remuneration. Outside Directors are paid only fixed basic remuneration to appropriately fulfill their roles and they are not paid performance-linked or stock remuneration.

For details on executive remuneration, refer to "II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-Making, Execution of Business, Oversight in Management, and Incentive" below.

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

The Company's approach to sustainability is discussed by the NR&E Committee, and a basic policy is formulated by the Board of Directors. The details of its initiatives are explained in the Integrated Report and at IR meetings. The Board of Directors also oversees the allocation of management resources and the formulation and implementation of business strategies aimed at improving corporate value over the medium- to long-term. Refer to Article 15 (Roles and responsibilities of the Board of Directors) of the Guidelines.



[Supplementary Principle 4-3-② and ③] (Objective, timely and transparent procedures for appointment and dismissal of CEO)

The appointment and dismissal of the CEO and other top executives are discussed by the NR&E Committee and then decided by the Board of Directors, ensuring an objective, timely, and transparent process.

[Principle 4-4] (Roles and Responsibilities of the Corporate Auditors and the Board of Corporate Auditors)

The Company has chosen to be a company with a Board of Corporate Auditors, composed of 1 full-time Corporate Auditor and 2 independent Outside Corporate Auditors, for a total of three members. The reason for selecting this structure is that while the Company places importance on having well-balanced control of its unique business model by both Inside and Outside Directors, the Company believes that a system that allows each Corporate Auditor to exercise their audit authority swiftly is appropriate, considering the size of its business and the organizational structure of the company, while emphasizing a well-balanced control of its unique business model by both internal and external directors.

The Company believes that this system allows the Board of Corporate Auditors to exercise its own investigative authority over the execution of duties by the Directors through the independent appointment of Corporate Auditors, thereby fostering management with a greater sense of alertness and vigilance. The full-time Corporate Auditor reports the status of business execution of all Group companies and the results of inspections to the Outside Corporate Auditors, who provide opinions and advice from an independent standpoint and professional perspective. Through active exchanges of opinions based on this information, the Outside Corporate Auditors monitor and verify the execution of duties by the Directors.

The Board of Corporate Auditors monitors and verifies the execution of duties by the Directors based on the audit policies and plans, by attending important meetings such as Board of Directors meetings and regularly exchanging opinions with the Directors.

The specific items reviewed by the Board of Corporate Auditors include the audit policies, audit plans, anticipated business risks, status of establishment and operation of the internal control system as key audit items, and the appropriateness of the audit methods and results of the Accounting Auditors.

Furthermore, the Company believes that collaboration with Accounting Auditors and the internal audit department is important to improve the effectiveness of audits, and three-way audit meetings are held regularly to report on the status of audits and exchange opinions from various perspectives and roles. On-site inspections conducted by Accounting Auditors and the internal audit department are also actively attended. Opinion exchange meetings with Outside Directors and group auditor liaison meetings are held to further strengthen collaboration.

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

Of the six directors of the Company, two are independent Outside Directors. To achieve sustained growth and improvements in corporate value over the medium- to long- term, the Company considers it important, from a managerial perspective, that Outside Directors express their opinions and encourage lively discussions at meetings of the Board of Directors, utilizing their expertise and experiences from standpoints independent of the Company. Two Outside Directors of the Company are fully qualified to fulfill roles and responsibilities that contribute towards sustained growth and corporate value improvement of the Company, leading to more active discussions at the Board of Directors meetings. The careers and skills of Outside Directors is posted in “Notice of the 70th Ordinary General Meeting of Shareholders” (URL : <https://www.nichigas.co.jp/en/ir/stock/meeting>).

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

The Company’s criteria for judgment of independence of independent Outside Directors are governed by the independence criteria established by the Tokyo Stock Exchange. Expecting their contributions to active discussions at the Board of Directors meetings, the Company has appointed the following two individuals as independent Outside Directors.

- Tsuyoshi Yamada: In addition to his deep knowledge of the Commercial Code, Companies Act, and financial-related laws, he specializes in the study of the nature of dialogue between corporations and their shareholders.
- Eriko Satonaka: She has experience as a CHRO in human resources, labor relations, and human resources strategy planning at operating companies.

The Company has appointed the following two individuals as independent Outside Corporate Auditors.

- Takao Orihara: He has served as a Director mainly in the financial department of Nomura Real Estate Holdings and Nomura Real Estate Development, besides holding positions as a Director (audit & supervisory committee member) and Corporate Auditor at Nomura Real Estate Holdings Inc., thus bringing both executive and auditing



experience.

- Tatsunaga Fumikura: He has high expertise in accounting as a certified public accountant, has long served as a representative partner at a major audit firm, and has sufficient practical experience in auditing, including auditing major companies.

[Supplementary Principle 4-10-①] (Use of voluntary schemes)

The Company has a Board of Corporate Auditors. Considering that independent Outside Directors do not constitute the majority of the Board of Directors, the Company has established the NR&E Committee as a voluntary advisory committee with the aim of strengthening governance. This committee consists mainly of independent Outside Directors, along with independent Outside Corporate Auditors, and thus the majority of the Committee members are outside officers. It has the role of advising the Board of Directors on the nomination and remuneration of the Chief Executive Officer (CEO) and senior management. The Committee will further engage in discussions about the nomination of the CEO and other top executives and succession plans.

<Composition>

This Committee is composed of five members: 2 Outside Directors (Mr. Tsuyoshi Yamada and Ms. Eriko Satonaka), 2 Internal Directors (Mr. Kunihiro Kashiwaya, Representative Director, Chief Executive Officer, and Mr. Tomonori Tsuchiya, Representative Director, Senior Managing Executive Officer), and 1 Outside Corporate Auditor (Mr. Takao Orihara). The majority of members being outside officers, and the Committee being chaired by an Outside Director (Tsuyoshi Yamada), the Company believes that this composition ensures the Committee's independence.

<Matters Deliberated by the Committee> Based on consultations from the Board of Directors, this Committee deliberates and advises on the following matters.

- Nomination and remuneration of Directors and officers and other governance matters
  - (1) Promoting the governance system for business activities that achieve management stability and healthy growth
  - (2) Personnel proposals for Directors, Representative Directors, Executive Directors, Executive Officers, and Corporate Auditors
  - (3) Remuneration scheme for Directors, Representative Directors, Executive Directors, Executive Officers, and Corporate Auditors, operation of that scheme, and remuneration limits (proposals for the General Meeting of Shareholders), etc.
  - (4) System for the evaluation of Directors by third parties, operation of that system, etc.
  - (5) System and standards for succession planning (including the cultivation of the successor) and their implementation, etc.
- Matters related to environmentally friendly business activities
- Matters related to business activities that contribute to society
- Other matters about which the Board of Directors inquires

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

The Company has identified the skills the Company believes are necessary for its medium- to long-term corporate value growth and created a skills matrix. The Company annually reviews the skills it believes are necessary for corporate value growth, supplementing the skills and knowledge required by the Company through the participation of Outside Directors, thereby invigorating discussions and enhancing the effectiveness of the Board of Directors.

The Independent Outside Directors include persons with experience in management of other companies.

■ The skill matrix of Directors and Corporate Auditors

↓ ◎ : Main skills ○ : Other skills

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

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

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

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

○ Regarding the evaluation of each Director in the fiscal year ended March 31, 2024, the Company received an assessment from independent experts (evaluators) that the Directors have met the standards.

○ Evaluation of the Effectiveness of the Board of Directors in the Fiscal Year Ended March 2024: An evaluation was conducted through a questionnaire sent to internal and outside directors with the involvement of a third party (Mitsubishi UFJ Trust and Banking Corporation). The result of the evaluation was that the 'effectiveness of the Board of Directors is ensured.' In particular, the following points were positively valued.

- Appropriateness of Performance Indicators: The indicators used in performance reports to the Board of Directors are appropriate and are verified each time. This leads to effective performance monitoring.
- Utilization of Dialogue with Shareholders and Others to Enhance Corporate Value: Sufficient dialogue with stakeholders, including institutional investors, is conducted, and the dialogue content is appropriately fed back to the Board of Directors and utilized to enhance corporate value.

As points to further strengthen the effectiveness of the Board of Directors, the following opinions were received:

- Ensure opportunities for discussions to adequately supervise the progress of strategies and the state of human resources strategies
- Review the system for providing information on agenda items and strategies to be submitted to the Board of Directors to ensure sufficient opportunities for deliberation on important matters
- Discuss and supervise the establishment and operation of risk management systems at the Board of Directors to enhance their functionality
- Review agenda setting to leverage the insights of Outside Directors and consider establishing a system for executive study sessions

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 4-14-②] (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 recognition that constructive dialogues with shareholders and investors are necessary for the medium- to long-term enhancement of corporate value, the Company has developed internal systems for providing opportunities for such dialogues. Discloses the details of these initiatives in the Integrated Report. "Integrated Report 2023" P.46 <https://www.nichigas.co.jp/en/ir/library/integrated-report>

#### ■Situation of dialogues with shareholders, etc.

##### <IR meetings>

- IR department, as a contact, responds to more than 300 times/ year IR meetings with institutional investors and analysts. The Representative Director, Chief Executive Officer and other Officers are also actively involved in the dialogues.
- For the IR meetings, less than 60% are with domestic institutional investors, and more than 40% are with overseas institutional investors. In the IR meetings with overseas investors, interviews are held in English with no interpreters present in most cases. The inability to communicate directly in English is sometimes the reason why IR meetings are not conducted. The Company believes that direct communication without the need for interpretation, where executives and IR personnel with an understanding of the Company's internal affairs engage in dialogue, deepens the conversation. The Company strives to disclose information fairly to domestic and overseas institutional investors by translating important information into English as promptly as possible.
- Overseas IR meetings (Non-deal Roadshow): From 2023, the Company resumed overseas IR on-site meetings and is conducting face-to-face dialogues with overseas institutional investors. Its management will continue to directly dialogue with domestic and overseas investors to inform them of its business progress and strategies.
- With respect to explanatory meetings, the Company holds a result briefing in the form of a conference call on the day of the results announcement, and the Senior Managing Executive Officer, Corporate Headquarters, General Manager (CFO), provides explanations and answers questions from investors. In addition, the Company holds business strategy meetings twice a year, in principle, where the Representative Director, Chief Executive Officer and other Officers explain medium- to long-term business strategies and ESG initiatives. At the business strategy meeting held in May 2024, Representative Director, Chief Executive Officer Kunihiko Kashiwaya explained the Company's medium- to long-term business strategy and the LP gas industry consolidation. Representative Director, Senior Managing Executive Officer Keiichi Yoshida, who also serves as Representative Director, President of Energy Sola Platforms Co., Ltd., explained the business strategy of the energy platform company Energy Sola Platforms Co., Ltd. \*Senior Managing Executive Officer, Sales Headquarters, Deputy General Manager, Tomonori Tsuchiya, explained the energy retail business strategy. (\*Title is as of the time of the meeting.)

In addition, in April 2024, the Company held its first IR seminar for individual investors. In addition to an explanation of the Company, the seminar provided participants with the opportunity to deepen their understanding of the Company through discussions with institutional investors.

The video of the seminar can be viewed at "Business Strategy Meetings" on the Company's website.

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

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

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

##### <Feedback to the Board of Directors>

- Useful opinions acquired through dialogues with shareholders, etc. are appropriately shared by Management Meeting and the Board of Directors (Each meeting is held once a month) and discussed by the Board members. Additionally, shareholder movements based on the quarterly substantial shareholder survey, and the content of dialogue of IR meetings are appropriately shared.
- Additionally, the details of annual dialogue with shareholders and initiatives by the IR department are reported to the Board of Directors once a year for discussion with management to further enhance the level of dialogue with shareholders.
- For example, in the three-year plan from the fiscal year ending March 2024 to the fiscal year ending March

2026, announced on April 27, 2023, the Company announced shareholder return policy for the three years period from the fiscal year ending March 2024 to the fiscal year ending March 2026, which was discussed and finalized by the Board of Directors, considering the dialogue with investors.

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

[Principal 5-2] (Formulation and Announcement of Management Strategies and Plans)

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

Now that the Group's corporate structure going forward has been determined through the group reorganization, the Company has embarked on the implementation of a three-year growth plan from the fiscal year ended March 31, 2024, to the fiscal year ending March 31, 2026. This plan emphasizes not only profit growth through business expansion but also initiatives to enhance corporate value through active balance sheet management. Specifically, as in the past, the Company aims to increase ROIC from 9% in the fiscal year ended March 31, 2023, to 13% in the fiscal year ending March 31, 2026, by accumulating high profit generating assets, such as LP gas and IT-related assets, without significantly increasing the overall asset size. Concurrently, the Company will review the optimal capital structure on the capital procurement side, reducing the capital-to-asset ratio from 48% in the fiscal year ended March 31, 2023, to 40% in the fiscal year ending March 31, 2026, aiming for an ROE of 22% in the fiscal year ending March 31, 2026.

Regarding the allocation of acquired cash flows, the Company places equal importance on returning high levels of value to all its shareholders and investing in high profit generating assets, striving to balance both aspects. Over the three-year period from the fiscal year ended March 2024 to the fiscal year ending March 2026, the Company anticipates cash inflow of 86 billion yen through cash-in (acquired cash from operating cash flows and increased borrowings). From this cash, the Company plans to allocate 38.5 billion yen to growth investments and 47.5 billion yen for shareholder returns. In the first year, the fiscal year ended March 31, 2024, the Company made progress generally in line with its plan. Cash inflows were 30 billion yen, cash outflows were 24.5 billion yen (including 11.4 billion yen for investments and 13.1 billion yen for shareholder returns), and the Company increased its cash on hand by 5.5 billion yen to prepare for investments in and after the fiscal year ending March 31, 2025.

The Board of Directors is responsible for overseeing the allocation of management resources and the implementation of strategies related to the business portfolio (\*The details are disclosed in the Integrated Report and other documents). At least every results announcement (quarterly), the Board of Directors discusses the allocation of management resources and the status of business investments and portfolios, and the Company discloses the details of these discussions in its Earnings Summary Supplemental Disclosure.

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

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

**【Disclosed in English】 【Updated on December, 24, 2024】**

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

- “Management that is Conscious of Cost of Capital and Stock Price” 2.0

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

## Summary

### “Management that is Conscious of Cost of Capital and Stock Price” 2.0

NICIGAS understands that capital market rates us highly for [the capital strategy](#), and [PBR is 3.5x \(as of Nov.2024\) which is the highest in the industry](#). On the other hand, [there is the expectation to boost PER](#).

Thus, we will sort out capital strategy in order to increase ROE, optimize B/S, and boost PER.

#### ① Assessed by Capital Market

NICIGAS continued to communicate with investors after publishing “Management that is Conscious of Cost of Capital and Stock Price” ver 1.0. In the end, we received high review from them regarding [B/S Control, return to shareholders, cash flow distribution](#), and so forth.

#### ② Analysis of Current Situation

Although [NICIGAS’ PBR is 3.5 x as of Nov.2024](#), share price is slow to rise to higher level. PER decreases while the planned ROE is unchanged. In other words, we consider that the growth through industry consolidation, etc. might look ambiguous.

#### ③ Update on NICIGAS’ Strategy

First, in order to increase PBR, NICIGAS must work on the following tasks:

- [1\) widen the gap between ROE and Capital Cost, 2\) ensure efficient operation of B/S,](#)
- [3\) continue to inform investors on growth through industry consolidation, etc.](#)

## 2. Capital Structure

Foreign Shareholding Ratio	30% or more
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### Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,056,400	16.86
Custody Bank of Japan, Ltd. (Trust Account)	10,472,000	9.27
TEPCO Energy Partner, Incorporated	4,380,000	3.88
JAPAN POST INSURANCE Co.,Ltd.	3,509,500	3.11
Nippon Life Insurance Company	2,186,760	1.93
SUMITOMO LIFE INSURANCE COMPANY	1,775,200	1.57
STATE STREET BANK WEST CLIENT-TREATY 505234	1,526,900	1.35
JP MORGAN CHASE BANK 385781	1,429,018	1.26
THE BANK OF NEW YORK MELLON 140042	1,238,261	1.10
The Master Trust Bank of Japan, Ltd. (Board Incentive Plan Trust Account 75844)	1,219,485	1.08

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

The status of major shareholders above is as of the end of March 2024.

The Company owns 2,305,996 shares as treasury stock which is excluded from the number of shares held by

major shareholders above. The treasury stock does not include 1,219,485 shares of the Company's stock owned by The Master Trust Bank of Japan, Ltd. in the "Executive Compensation BIP (Board Incentive Plan) Trust" (trust account).

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

### 3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market
Fiscal Year-End	March
Business Sector	Retail Trade
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥100 billion or more and less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Fewer than 10

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

None

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

None

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

### 1. Organizational Composition and Operation

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

### Directors

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

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

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

\*Categories for "Relationship with the Company".

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

- Person who executes business of the Company or a subsidiary
- Person who executes business or a non-executive director of a parent company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)

- h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)
- i. Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- j. Person who executes business for an entity receiving contributions from the Company (applies to self only)
- k. Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Tsuyoshi Yamada	○	—	<p>Reason for appointment as an Outside Director:            Mr. Tsuyoshi Yamada is a licensed lawyer, who in addition to his in-depth knowledge of the Commercial Code, the Companies Act, and law related to financial, also specializes in the nature of dialogue between corporations and their shareholders. Additionally, as the chair of the NR&amp;E Committee, he is responsible for formulating the Company's policies on executive remuneration, and succession planning. Although he has no direct experience in corporate management, as the Company believes that his knowledge will contribute to management, governance, and risk management based on an investors' perspective, the Company has appointed him as Outside Director.</p> <p>Reason for nomination as an independent officer:            Mr. Tsuyoshi Yamada was selected by the Board of Directors following approval from the NR&amp;E Committee, which is a voluntary advisory committee. He is nominated as an independent officer because the risk of conflict of interest with general shareholders is considered to be nonexistent in view of his career.</p>
Eriko Satonaka	○	—	<p>Reason for appointment as an Outside Director:            Ms. Eriko Satonaka has expertise in human resources and diversity promotion at Nissan Motor Co., Ltd. and later at Benesse Holdings, Inc. where she led human resource development strategies and the design of the executive compensation plan. She is currently</p>



			<p>CHRO of Avant Group, where she supervises company-wide human resources strategy. As the Company believes that this experience will contribute to the recruitment and development of the next generation of human resources and the promotion of diversity, the Company has appointed her as Outside Director.</p> <p>Reason for nomination as an independent officer: Ms. Satonaka was selected by the Board of Directors following approval from the NR&amp;E Committee, which is a voluntary advisory committee. She is nominated as an independent officer because the risk of conflict of interest with general shareholders is considered to be nonexistent in view of her career.</p>
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Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Established
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Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	NR&E Committee	5	0	2	2	1	0	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	NR&E Committee)	5	0	2	2	1	0	Outside Director

Supplementary Explanation

The outside expert who is a member of the NR&E Committee is Takao Orihara, an Outside Corporate Auditor.

**Audit and Supervisory Board Member\***

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

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

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

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

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

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

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

\*Categories for "Relationship with the Company".

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

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

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

Name	Designation as Independent Audit and Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons for Appointment
Takao Orihara	○	—	Reason for appointment as an Outside Corporate Auditor: Mr. Takao Orihara has experience in finance and corporate planning at Nomura Real Estate Development, and participated in the management of Nomura Real Estate Holdings and Nomura Real Estate Development

			<p>for nine years, mainly as a Director in charge of finance. He subsequently held other positions including Director (Audit &amp; Supervisory Committee member) and Corporate Auditor at Nomura Real Estate Holdings, Inc. for seven years. As the Company believes that his experience as an executive and auditor at listed companies, etc. will contribute to the accurate auditing of the Company, it has appointed him as Outside Corporate Auditor.</p> <p>Reason for nomination as an independent officer: Mr. Orihara was selected by the Board of Directors following approval from the NR&amp;E Committee, which is a voluntary advisory committee. He is nominated as an independent officer because the risk of conflict of interest with general shareholders is considered to be nonexistent in view of his career.</p>
Tatsunaga Fumikura	○	—	<p>Reason for appointment as an Outside Corporate Auditor: As a company with a Board of Corporate Auditors, the Company believes that it is necessary for Outside Corporate Auditors to have sufficient knowledge in finance, accounting, legal affairs, and risk management to ensure effective corporate governance. Mr. Tatsunaga Fumikura is appointed because he possesses advanced knowledge in accounting as a certified public accountant, has long served as a representative partner at a major audit firm, and has ample practical experience in audits, including for large companies.</p> <p>Reason for nomination as an independent officer: Mr. Fumikura was selected by the Board of Directors following approval from the NR&amp;E Committee, which is a voluntary advisory committee. He is nominated as an independent officer because the risk of conflict of interest with general shareholders is considered to be nonexistent in view</p>

			of his career.
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## Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

Number of Independent Directors and Independent Audit and Supervisory Board Members	4
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Other Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

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

## Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of Performance-linked Remuneration Scheme, Other
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Supplementary Explanation for Applicable Items

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

### 1) Performance-linked remuneration

Individual basic remuneration for each Director and executive officer, which is linked to performance, is calculated based on an evaluation of each individual by Independent Outside Evaluators.\*

\*Independent Outside Evaluators: Two university professors specializing in management. They have been engaged to conduct evaluations since 2015 after the officer in charge of the Human Resource Department determined that they are highly knowledgeable in performance evaluation, which is the basis for calculating management and executive compensation. They are well versed in our business operations as well as the skills possessed and challenges faced by our officers, making them able to determine appropriate KPIs.

#### <Evaluation Process>

1. Each Director and Executive Officer conducts evaluation interviews with independent outside evaluators after the end of the fiscal year to discuss the challenges undertaken and achievements made.

2. The independent outside evaluators conduct quantitative and qualitative evaluations for each item required for the roles and duties of each Director and Executive Officer based on the interview results. The quantitative evaluation is made based on the operating income of the Company and the status of achievement of the KPIs set by each Officer at the beginning of the evaluation period. The qualitative evaluation is made based on items such as contribution to the enhancement of corporate value, the formulation of policies and the penetration of strategies, the cultivation and discovery of successors, and expertise and foresight. Emphasis is placed on the ability to drive change without being bound by past customs or previous successes.

3. After the results of the independent outside evaluation are confirmed by the General Managers of each Headquarters, the Representative Director, Chief Executive Officer and the Managing Executive Officer in charge of Human Resource Department determine the basic compensation concept for each individual based on the independent outside evaluation, and the NR&E Committee approves these contents. Based on the approved principles, the Representative Director, Chief Executive Officer and Managing Executive Officer in charge of the Human Resource Department engage in discussions to make the final decision on individual basic remunerations.

### 2) Non-monetary remuneration (Stock Compensation)

The stock-based compensation is provided to Directors and Executive Officers as a medium- to long-term incentive plan, targeting a period of five business years, with a maximum limit of 851 million yen and 690,000 shares (post-stock split). The purpose of this plan is to enable Directors and Executive Officers to share

medium- to long-term profit value with shareholders. In the stock remuneration, the BIP trust is used, and points calculated based on the position factor and the monthly amount of basic remuneration that will change according to the degree of achievement of consolidated operating income and others will be granted. The points are accumulated during the term of office and can be received as the eligible stock-based compensation upon retirement for each of the Directors and Executive Officers of the Company and its subsidiaries covered under the stock-based compensation system. Subject to the approval of the Company's Board of Directors, the term of this stock-based compensation may be extended for the same period every five fiscal years.

3) Policy on ratio of remuneration, etc.

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

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

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

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

- Name, position and/or responsibility in the Company of the person to be delegated  
Mr. Kunihiko Kashiwaya, Representative Director, Chief Executive Officer  
Mr. Keiichi Ozaku, Managing Executive Officer, in charge of Human Resource Department

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

- Description of authority to be delegated  
The authority to determine basic remuneration for each individual based on an independent outside evaluation, subject to the approval of the NR&E Committee and the Board of Directors on the approach to determining remuneration.
- Details of measures to ensure that delegated authority is properly exercised  
The concept of individual basic remuneration determined by the Representative Director, Chief Executive Officer and the Managing Executive Officer in charge of the Human Resource Department based on an independent outside evaluation is reported to the NR&E Committee, and the NR&E Committee approves its contents, thereby ensuring that the delegated authority is properly exercised.

Persons Eligible for Stock Options —

Supplementary Explanation for Applicable Items

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## Director Remuneration

Status of Disclosure of Individual Directors' Remuneration Disclosure for Selected Directors

Supplementary Explanation for Applicable Items

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

■ Remuneration for Officers in the fiscal year ended in March 2024(April 1, 2023 to March 31, 2024).

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)	267	187	80	-	-	4
Corporate Auditors (excluding Outside Corporate Auditors)	14	14	0	-	-	1
Outside Directors/Corporate Auditors	32	32	0	-	-	7

\*No directors concurrently serve as an employee.

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

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

Name	Category of officer	Category of company	Total amount of consolidated remuneration (JPY mil.)	Amount by type of consolidated remuneration (JPY mil.)		
				Basic remuneration	Non-monetary remuneration (Stock compensation)	Bonus
Shinji Wada	Director	Company submitting this report	107	74	33	-

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

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

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

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

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

Overview of the current system

1. Business execution system

In addition to the Board of Directors, the Company has established a Management Meeting to which the authority for business execution is delegated. It discusses and implements specific measures for the management plans and strategies resolved by the Board of Directors, thereby realizing agile business execution. Furthermore, as a voluntary advisory committee to the Board of Directors, the Company has established the NR&E Committee. The Committee holds discussions and reports to the Board of Directors on key themes such as important personnel decisions, remuneration, long-term management challenges and sustainability priorities from the perspective of ESG management, along with specific measures and progress made in addressing them, as well as executive remuneration and succession planning.

○The Board of Directors: Six Directors, including two independent Outside Directors (Mr. Shinji Wada, Chairman, Director, Executive Officer, Mr. Kunihiko Kashiwaya, Representative Director, Chief Executive Officer, Mr. Keiichi Yoshida, Representative Director, Senior Managing Executive Officer, Mr. Tomonori Tsuchiya, Representative Director, Senior Managing Executive Officer, Mr. Tsuyoshi Yamada, Outside Director, Ms. Eriko Satonaka, Outside Director).

○Management Meeting: A decision-making body for business execution, composed of the following members (10 men, 0 women)

- NICIGAS: Chairman Executive Officer, Chief Executive Officer, General Managers and Deputy General Managers both of the Sales Headquarters and the Corporate Headquarters, full-time Corporate Auditor
- Group Company President, Executive Officers

In principle, the members meet once a month to receive reports on the status of business operations from each department (4-5 agenda items per month) and discuss and implement specific measures for management plans and strategies resolved by the Board of Directors, thereby enhancing agile business execution. In the fiscal year ended March 2023, an Investment Committee has been established as a subordinate body, and investments exceeding 30 million yen are reviewed by this Committee prior to the Management Meeting. The progress of investments is monitored regularly, and updates are provided to the Management Meeting accordingly.

○The NR&E Committee: This Committee, which serves as a voluntary advisory body to the Board of Directors, is composed of five members, the majority of whom are outside directors. The Committee holds discussions and reports to the Board of Directors on key themes such as medium- to long-term management challenges and sustainability priorities from the perspective of ESG management along with measures and progress made in addressing them, as well as executive remuneration and succession planning. In order to enhance corporate value over the medium- to long-term, it will deepen discussions on executive remuneration, succession planning (including the cultivation of the successor), and human resources strategies.

<Member of the NR&E Committee>

Chairman : Mr. Tsuyoshi Yamada, Outside Director

Member : Ms. Eriko Satonaka, Outside Director

: Mr. Takao Orihara, Outside Corporate Auditor

: Mr. Kunihiko Kashiwaya, Representative Director Chief Executive Officer

: Mr. Tomonori Tsuchiya, Representative Director, Senior Managing Executive Officer

## 2. Auditing system

The Company's Board of Corporate Auditors consists of 1 Full-Time Corporate Auditor (Mr. Kenji Manaka) and 2 independent Outside Corporate Auditors (Mr. Takao Orihara and Mr. Tatsunaga Fumikura).

\* For the career histories of Mr. Takao Orihara and Mr. Tatsunaga Fumikura, refer to [Audit and Supervisory Board Member] in 1. Organizational Composition and Operation under II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-Making, Execution of Business, and Oversight in Management above.

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

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

Mr. Kiyoshi Asada (Kyoritsu Shinmei Audit Corporation, 5 years) and Mr. Yasumasa Iwakiri (Kyoritsu Shinmei Audit Corporation, 4 years), as well as other nine certified public accountants certified public accountant as an assistant engage in accounting audit services.



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

- The Company elected a corporate governance system of a company with an Audit Committee. This is because, the Company believes that a system that allows each Corporate Auditor to exercise audit authority in a speedy manner is appropriate, considering the size of its business and the organizational structure of the company, while emphasizing a well-balanced control of its unique business model by both internal and external directors.
- The Board of Directors is composed of two-thirds internal directors, as the Company believes that decision-making by directors who have in-depth knowledge of the business is important. On the other hand, the NR&E Committee, in which a majority of members are composed of non executive officers and the chairman is an outside director, has been consulting with the Board of Directors regarding nomination and remuneration functions.
- This system ensures the soundness, transparency, and efficiency of management, and ensures the appropriateness of operations.

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

### 1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	For the 70th Ordinary General Meeting of Shareholders (held on June 25, 2024), electronic provision was started on May 31, 2024 (Friday), and the documents were mailed on June 5, 2024 (Wednesday).
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	The 70th Ordinary General Meeting of Shareholders was held on Tuesday, June 25, 2024, avoiding the days when meetings are most concentrated.
Electronic Exercise of Voting Rights	The Company has introduced the exercise of voting rights by electromagnetic means
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company participates in a platform for the electronic exercise of voting rights operated by ICJ, Inc.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	An English version of the notice is prepared and posted on the company website and the Listed Company Search page on the website of the stock exchange where the Company is listed, on the same day as the Japanese version.
Other	The Notice of Convocation and the Notice of Resolutions are posted on the Company website.

### 2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The Company established a policy for information disclosure to stakeholders by establishing the Disclosure Policy. This Policy is posted on the Company's website (URL: <a href="https://www.nichigas.co.jp/en/disclosure">https://www.nichigas.co.jp/en/disclosure</a> ).	
Regular Investor Briefings held for Analysts and Institutional Investors	The Company holds a result briefing in the form of a conference call on the day of the results announcement. Senior Managing Executive Officer, Corporate Headquarters, General Manager, provides explanations and answers questions from investors. In addition, the Company holds business strategy meetings twice a year, in principle, where the Representative Director, Chief Executive Officer and other officers explain business strategies and ESG initiatives. <ul style="list-style-type: none"> <li>• Business Strategy Meeting: Held in April 2023, and May 2024. The</li> </ul>	Held

	<p>videos of the meetings are disclosed in “Financial Statements Explanatory Meeting” on the Company’s website (URL: <a href="https://www.nichigas.co.jp/en/ir/library/meeting">https://www.nichigas.co.jp/en/ir/library/meeting</a>).</p> <p>At the business strategy meeting held in May 2024, Representative Director, Chief Executive Officer Kunihiro Kashiwaya explained the Company’s medium- to long-term business strategy and the LP gas industry consolidation. Representative Director, Senior Managing Executive Officer Keiichi Yoshida, who also serves as Representative Director, President of Energy Sola Platforms Co., Ltd., explained the business strategy of the energy platform company Energy Sola Platforms Co., Ltd. *Senior Managing Executive Officer, Sales Headquarters, Deputy General Manager, Tomonori Tsuchiya, explained the energy retail business strategy. (*Title is as of the time of the meeting.)</p> <ul style="list-style-type: none"> <li>• Outside Directors Roundtable: In February 2024, the Company held its first outside director roundtable. Outside Director Tsuyoshi Yamada explained to shareholders and analysts the role of Outside Directors at the Company and the discussions held at the Board of Directors meetings.</li> <li>• Seminar for Individual Investors: In April 2024, the Company held its first IR seminar for individual investors. In addition to an explanation of the Company, the seminar provided participants with the opportunity to deepen their understanding of the Company through discussions with institutional investors.</li> </ul>	
Regular Investor Briefings held for Overseas Investors	In addition to individual IR meetings, the Company holds small meetings for overseas investors (IR meetings attended by 5-10 participants) and explains its business strategies and ESG initiatives to overseas investors via Zoom and other platforms. In 2023, the Company resumed overseas IR activities for the first time in about three years, with executives including the Representative Director, Chief Executive Officer meeting directly with investors in Europe, the Americas, and Asia. Additionally, the Company creates and distributes English versions of its business strategy meeting videos to make them accessible to overseas investors.	Held
Online Disclosure of IR Information	Materials related to financial results, the growth story, IR news, and the video of explanatory meetings are posted on the website (URL: <a href="https://www.nichigas.co.jp/en/ir">https://www.nichigas.co.jp/en/ir</a> ).	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Corporate Strategy/IR Department is a contact point.	

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

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The Code of Conduct for Nippon Gas Group Officers and Employees, the Basic Policy for Harassment Prevention Measures in the Workplace of the Nippon Gas Group, and the Multi-Stakeholder Policy, among other policies, stipulate respect for stakeholders. The Company also conducts internal compliance awareness surveys and harassment prevention training. In addition, the Company tries to interactively communicate with the stakeholders. As part of its internal reporting system, the Company has established internal and external consultation channels, as well as a contact point for Corporate Auditors, to enable early detection and response to cases of harassment, compliance violations, and other related matters.
Implementation of	○ Initiatives for a decarbonized society

As an energy company responsible for the last mile, the Company is committed to meeting the social challenge of reducing CO<sub>2</sub> emissions. The Company will evolve its business into Energy Solutions to reduce its customers' CO<sub>2</sub> emissions. Additionally, by sharing its Platform, the Company aims to reduce emissions across the entire industry, enhancing corporate value over the medium- to long-term and achieving net zero CO<sub>2</sub> emissions by 2050.

<CO<sub>2</sub> Emissions Reduction Targets>

The Company has set targets to be achieved by 2030 and are actively working towards them.

- Target 1: CO<sub>2</sub> emissions from the LP gas industry (through the LPG Network Service) Approx. 50% reduction

The Company aims to reduce CO<sub>2</sub> emissions through highly efficient LPG operations (halving CO<sub>2</sub> emissions compared to other companies). By sharing its operations as "LPG Network Service" with other companies, the Company aims to halve CO<sub>2</sub> emissions across the entire industry.

- Target 2: CO<sub>2</sub> emissions per household: Approx. 50% reduction

For customers who use both its gas and electricity services, the Company will reduce CO<sub>2</sub> emissions through energy optimization for each household and decarbonization of power sources.

- Target 3: Reduction contribution: Approx. 1.45 million t-CO<sub>2</sub> (by 2030)

The Company aims to reduce CO<sub>2</sub> emissions by approx. 1.45 million tons by 2030 through both highly efficient LPG operations (halving CO<sub>2</sub> emissions compared to other companies), energy optimization for each household, and decarbonization of power sources (compared to conventional levels).

<Business strategy to realize net-zero CO<sub>2</sub> emissions>

The Company aims to achieve net-zero CO<sub>2</sub> emissions by 2050 through the following initiatives.

1) Expansion of Energy Solutions

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

Step 2: Promote the decarbonization of power sources and popularize energy equipment such as hybrid gas-electric water heaters, solar power generation, and storage batteries, enabling customers to manage their own energy (transformation into smart homes).

Step 3: Connect smart homes to the power distribution network and control energy equipment to optimize energy use across the entire community, realizing a Smart City.

2) Reduction by introducing new technologies

The Company will also invest in and form alliances with ventures specializing in the environment technology, and cooperate with gas equipment manufacturers, etc., and introduce new technologies. In order to promote collaboration in the field of storage batteries, the Company has entered into a capital and business alliance with Power X. This partnership has accelerated its efforts in providing Energy Solutions. In addition, the Company will introduce and demonstrate new technologies in the new areas of renewable energy (natural energy), CCUS (CO<sub>2</sub> capture, utilization, and storage), hydrogen energy, ammonia, carbon-free methane, DME (dimethyl ether), and other technologies that are being developed for commercial use, while evaluating their practical applicability.

○ Initiatives for biodiversity, etc.

As a company that provides energy for the last mile, the company is committed to advancing its efforts towards biodiversity and other environmental initiatives. Moving forward, the Company will organize the interactions between its business and

	<p>nature within its value chain based on the TNFD framework, analyze significant risks and opportunities, and amplify disclosures about its initiatives. Currently, its specific efforts towards biodiversity and other environmental initiatives include enhancing safety in areas with high flood risk (double latching of LP gas safety belts), promoting the efficient use of resources through the digitalization of operations, and reducing waste.</p> <p>The Company’s specific initiatives for ESG and SDGs are disclosed in “Integrated Report 2023”  (URL: <a href="https://www.nichigas.co.jp/en/ir/library/integrated-report">https://www.nichigas.co.jp/en/ir/library/integrated-report</a>) and “Financial Statements Explanatory Meeting” on the Company’s website  (URL: <a href="https://www.nichigas.co.jp/en/ir/library/meeting">https://www.nichigas.co.jp/en/ir/library/meeting</a>).</p> <p>The Company also plans to launch a "Sustainability Page" on the Company’s website in the summer of 2024.</p>
<p>Formulation of Policies, etc. on Provision of Information to Stakeholders</p>	<p>The Company’s Disclosure Policy sets forth its information disclosure principles, and the Company discloses information to stakeholders in a timely and appropriate manner in accordance with the Financial Instruments and Exchange Act and other relevant laws and regulations, as well as the Securities Listing Regulations of the Tokyo Stock Exchange.</p> <p>For internal systems for the timely disclosure of corporate information, please see "V-2. Other Matters Concerning the Corporate Governance System" below.</p>
<p>Other</p>	

## IV. Matters Concerning the Internal Control System

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

#### 1. Internal control system

To ensure the appropriateness of its operations, the Company has established the Internal Control System Committee (Chairperson: Representative Director, Chief Executive Officer), under which the company has organized the Group Risk Management Committee (Chairperson: Corporate Headquarters, General Manager), the Group Compliance Committee (Chairperson: Corporate Headquarters, General Manager), the Information Disclosure Committee (Chairperson: Corporate Headquarters, General Manager), and the Internal Control Working Group (Chief Supervisor: Legal Department, General Manager).

The Internal Control Working Group oversees financial matters and evaluates each business process and exercises control over the entire company. Group companies also select evaluation committee members to assess each business process and discuss improvements based on these evaluations.

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

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

- The Company is a company with a 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 ensures the soundness and transparent management.
- The Company established the "Code of Conduct for the Nippon Gas Group Officers and Employees" for officers, employees, and others to ensure fair and proper management and a system to fulfill the social responsibilities of companies.
- With regard to dealing with antisocial forces, the Group established a policy based on the Code of Conduct for the Nippon Gas Group Officers and Employees which involves "taking a resolute stance against antisocial forces and their organizations that adversely affect social order and safety and clearly rejecting and eliminating involvement in such forces and organizations."
- The Company established a system for internal control over financial reporting in cooperation with external experts to ensure consistency with the Companies Act, the Financial Instruments and Exchange Act, and Tokyo Stock Exchange regulations.
- To strengthen the compliance, the Company established an internal reporting system, the "Group Helpline" (with internal, external and Auditor's contact points). The Company has established a system for the early detection, avoidance, minimisation and prevention of recurrence of compliance violation risks, ensuring that the content of reports is kept confidential, that the privacy of informants is protected and they are not treated unfairly.

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

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

- Information on important decisions in the execution of duties, financial information, compliance risk information, etc. (including electromagnetic information): The Company appropriately manages said information in accordance with internal rules and regulations, and maintains a system that allows relevant parties to view said information in an appropriate manner.
- Information security: The Company has established the Basic Policy for Information Security of the Nippon Gas Group. The Information Security Team (Chief Supervisor: Representative Director, Senior Managing Executive Officer, Program leaders: Legal Department, General Manager, Information Technology Department, General Manager) addresses issues in this area from a risk management perspective.
- Personal information protection: The Company has established a Personal Information Protection Policy and internal regulations, ensuring a system for the appropriate and secure acquisition, storage, and management of personal information.
- Information disclosure: The Company has established a Disclosure Policy and internal regulations (Information Disclosure Rules) for the disclosure of important information. The Information Disclosure

Committee, chaired by the Corporate Headquarters, General Manager, ensures proper, timely, and fair information disclosure 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 identifies the significance of risks from the perspectives of frequency of occurrence and impact on business, and prepares appropriate countermeasures in advance to minimize impact when losses occur. The Company maintains awareness of its risks across the organization. Additionally, the Company has established the Group Risk Management Committee to ensure appropriate responses from both qualitative and quantitative perspectives, and manages risks in accordance with the Group Risk Management Regulations. The Group Risk Management Committee reports on situations to the Management Meeting and the Board of Directors as necessary. The Company constantly reviews the effectiveness of risk management.
- In peacetime, the Group Risk Management Committee assesses risks of the Group and determines required and sufficient response guidelines. It develops a system to reduce risks that should be controlled by ensuring that the Officers' and employees' training is properly provided.
- In anticipation of large-scale disasters and other situations that may cause significant damage to its business, the Company is working to develop a Business Continuity Management (BCM) system. The company is also creating a Disaster Countermeasures Manual for readiness to emergencies.
- For the event of emergencies such as natural disasters, crimes, or unauthorized access to information systems, the Company has established a system for promptly reporting the situation and setting up a countermeasures headquarters to take necessary actions.

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

- The Board of Directors: The Company makes a decision on important matters and supervises the execution of duties by holding every month.
- The Management Meeting: In order to ensure the efficient execution of duties, the Management Meeting consisting of Executive Officers at the level of Deputy General Manager or above is held at least once a month.
- A Group Executive Officers Meeting: It is attended by full-time Directors, full-time Corporate Auditors, General Managers of branches and headquarters, and presidents of subsidiary companies is held every month, to establish a system for timely reporting on basic and important matters related to business execution.
- Through the implementation of IT, the Company is promoting operational streamlining and organizational downsizing.
- To ensure appropriate information sharing and communication between executives and employees, a system for promptly communicating management policies to employees. Under this system, meetings attended by managers and executives at the section manager level and above are held at least once a month to share management strategies, business environment, and business progress.

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

6. System to ensure the appropriateness of business operation of the corporate group comprising the Company and its subsidiaries

- System to report matters concerning the execution of duties by the Directors of subsidiaries to the Company
  - The Company established the Nippon Gas Group Company Management Regulations for the management of subsidiaries, which require reporting to, and approval from the Company on important matters, as well as regular sharing of business management information. The Company ensures the properness of operations through a system for the efficient performance of duties by Directors of subsidiaries and a system for the compliance with laws and regulations and the Articles of Incorporation by the performance of duties by Directors and employees of subsidiaries.
  - The Company established a system for reporting to the Company, such as prompt reporting to the Company through a system of cooperation that includes subsidiaries in the event of an emergency.

- The audit office, which is responsible for the Company's internal audits, conducts audits of subsidiaries and the Legal Department reviews internal control activities.
- The Company ensures the smooth sharing of information throughout the Group and to ensure the appropriateness of operations of the entire Group.
- Regulations concerning the management of the risk of loss of subsidiaries and other relevant system
  - The Company established the Group Risk Management Regulations and has built a system to comprehensively manage the risks of the Group.
- System to ensure that duties will be executed efficiently by the Directors of the subsidiaries
  - The subsidiaries submit mid-term and annual business plans to the Company, and the Company manages the performance of the subsidiaries on a consolidated basis.
- The Company is working to consolidate and rationalize administrative operations within the Group, promote the appropriate assignment of human resources, and develop a system for the smooth execution of business operations.

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

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

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

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

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

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



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

### **(1) Basic views on eliminating anti-social forces**

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

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

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

## V. Other

### 1. Adoption of Anti-Takeover Measures

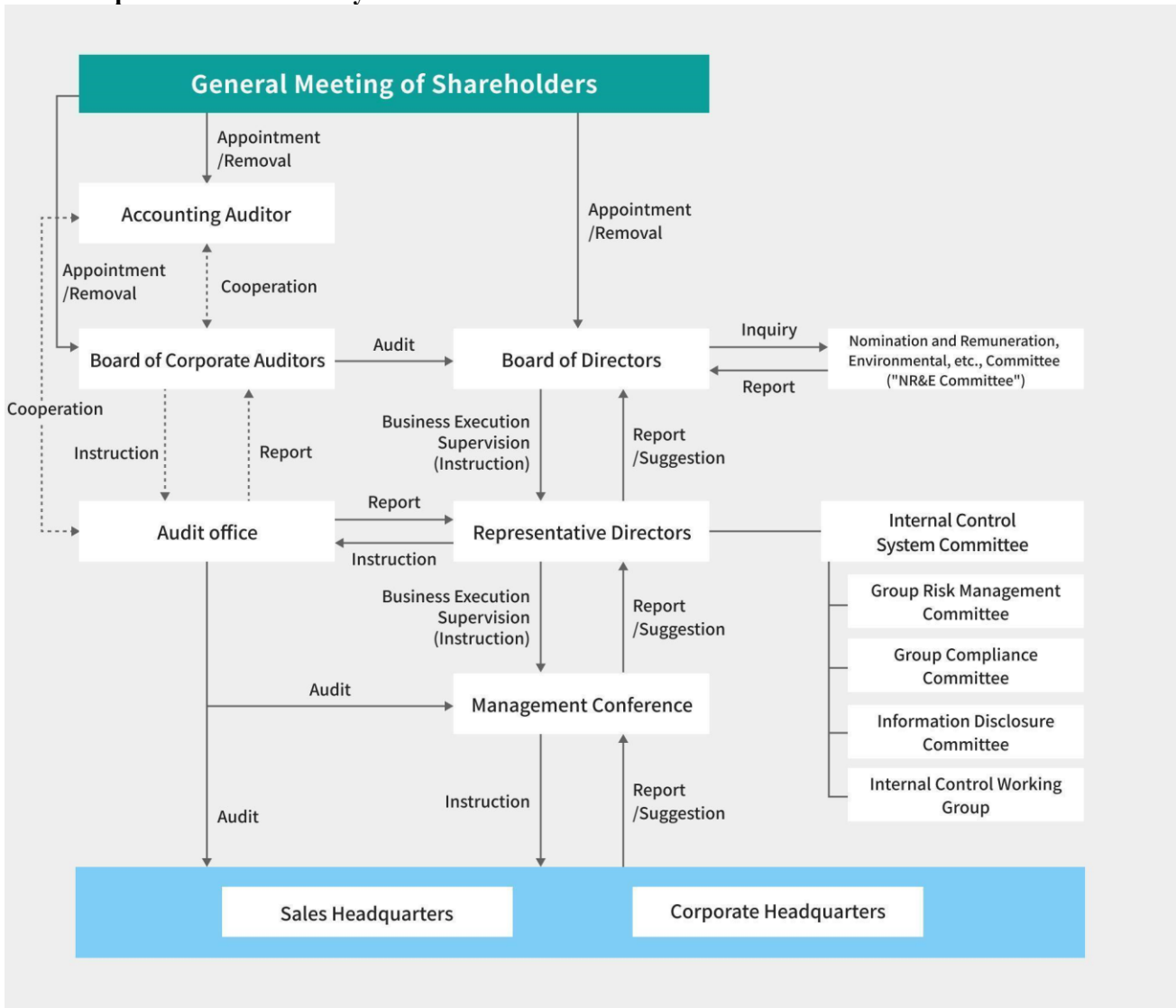
Adoption of Anti-Takeover Measures      Not Adopted

Supplementary Explanation for Applicable Items

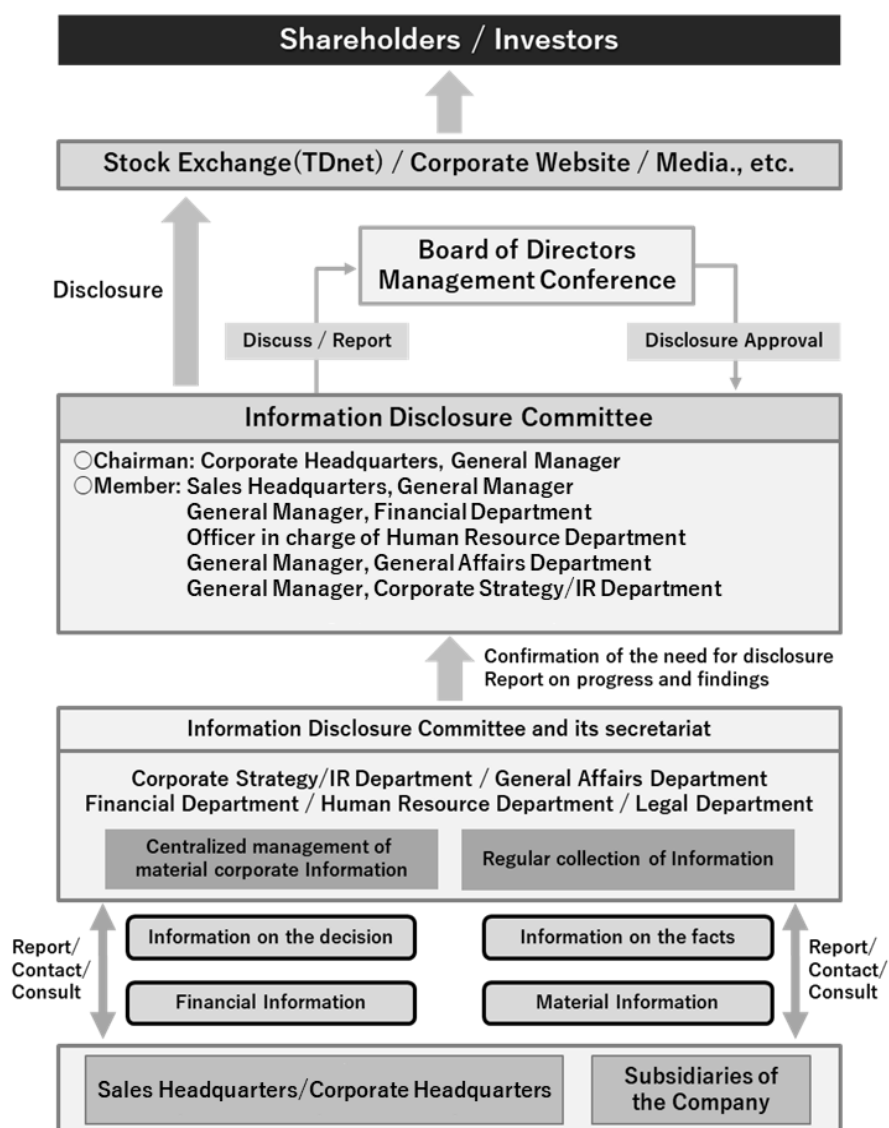
The Company abolished the corporate value enhancement plan (anti-takeover measures) at the 63rd General Meeting of Shareholders held on June 28, 2017. Even after abolishing the plan, the Company shall take appropriate measures based on the Financial Instruments and Exchange Act, the Companies Act and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

### 2. Other Matters Concerning the Corporate Governance System

#### ■ The 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 based on the Financial Instruments and Exchange Act and other relevant laws and regulations as well as the Securities Listing Regulations of the Tokyo Stock Exchange, recognizing that timely, appropriate, and fairly information disclosure to the stakeholders is a fundamental part of formulating a sound capital market.
  - For the handling of important information under insider trading regulations, which is subject to timely disclosure, the Company established internal regulations (the Insider Trading Management Regulations) that manages important facts under insider trading regulations and clarified matters to be observed regarding the management of insider information in the Code of Conduct for the Nippon Gas Group Officers and Employees.
  
2. Internal systems for timely disclosure of corporate information
  - The Company established the Information Disclosure Committee (Chairman: Corporate Headquarters, General Manager) to determine important information, the need for disclosure and disclosure methods. Corporate Headquarters, General Manager is in charge of information on finance and accounting, and the Information Disclosure Committee is in charge of the drafting and disclosure of specific content for other information to be published according to its supervision.
  - The Company shall promptly follow procedures on the Timely Disclosure network (TDnet) of the Tokyo Stock Exchange and will post disclosure information on its website.

- (1) Information on corporate decisions  
Information on corporate decisions shall be disclosed after the resolution of the Board of Directors or the Management Meeting in accordance with the Regulations of Administrative Authority. In an emergency, it shall be disclosed by obtaining approval from the Representative Directors, Chief Executive Officer.
- (2) Information on occurrence of important matters  
If important matters concerning the operation, business or property of the Company that could have a material impact on the judgment of shareholders and investors on securities have occurred, they shall be actively disclosed by the Chairman of the Information Disclosure Committee (Corporate Headquarters, General Manager) after obtaining approval from the Representative Director, Chief Executive Officer.
- (3) Financial and other disclosure information  
Disclosure information on financial results shall be prepared by the Financial Department, 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 25, 2024

Nippon Gas Co., Ltd.

## Chapter 1 General Provisions

### Article 1 Purpose

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

### Article 2 Management philosophy

The Group’s management philosophy is as described below.

(1) Contributing to Local Communities

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

(2) Aiming for Sustainable Corporate Growth

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

(3) Holding Human Resources in High Regard

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

### Article 3 Fundamental concept regarding corporate governance

The Group believes that seeking to improve sustainable corporate value based on the management philosophy described in the preceding article will build relationships of trust with and meet the expectations of shareholders, and investors, customers, business partners, employees, local communities and others (“Stakeholders”). Based on its management philosophy, the Company seeks to interactively communicate with the Stakeholders and to build a corporate governance system that is effective as the basis for ensuring transparency of its management. The Company believes that constructive dialogue with shareholders and investors is particularly important for enhancing corporate value over the medium- to long-term. Therefore, the Company strives to understand the perspectives of shareholders and investors and respond appropriately.

## Chapter 2 Securing Rights and Equal Treatment of Shareholders

### Article 4 General meeting of shareholders

The Company regards the general meeting of shareholders as the highest decision-making body and shall ensure an adequate period for shareholders to exercise their rights and establish an environment in which shareholders can appropriately exercise their voting rights. Moreover, considering that meeting of shareholders is an opportunity for constructive dialogue with shareholders, the Company shall hold general meetings of shareholders at a location with good access, by avoiding as much as possible the days when general meetings of shareholders of other listed companies are concentrated. In the event that the Board of Directors determines that it is not appropriate, in light of the interests of shareholders, to hold a general meeting of shareholders at a designated venue due to the spread of an infectious disease or the occurrence of a natural disaster, the Board of Directors may hold a general meeting of shareholders without a designated venue. 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 based on instructions from substantial shareholders is 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 the English version of notice of convocation of general meeting of shareholders (reference materials) on its web pages.
4. In the event that a substantial number of negative votes has been cast at a general meeting of shareholders against a proposal by the Company, it shall analyze the reasons for the opposing votes from the substantial number of shareholders at a meeting of the Board of Directors held after the close of the general meeting of shareholders and take measures for response, including referring to policies of voting advisory companies, etc.

#### Article 5 Securing equal treatment of shareholders

The Company shall hold financial results briefings no less than four times a year and business strategy meetings no less than twice a year, in principle, and with regards to business strategy meetings, post the video of the briefings on its web pages for viewing by all shareholders equally. 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 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 by returning it to shareholders to strengthen shareholder returns without holding unnecessary shareholders' equity.

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 meetings, integrated reports and other means.

#### Article 7 Cross shareholding

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

#### Article 8 Protection of shareholders' rights

When the Company implements capital policies that involve changes in control or significant dilution, it shall fully consider the interests of existing shareholders, and the Board of Directors shall discuss and decide upon the necessity of such policies from the perspective of shareholders. The Company shall provide sufficient explanations to shareholders to demonstrate that these capital policies contribute to the enhancement of the Company's corporate value.

### Chapter 3 Relationships with Stakeholders

#### Article 9 Code of conduct

The Company established the Code of Conduct for the Nippon Gas Group Officers and Employees for stakeholders to realize the Company's management philosophy. To foster a corporate culture and climate in which the rights 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 sound trade relations with stakeholders 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 Company 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 relevant laws and regulations, and internal rules. The Company established a monitoring system for preventing the exacerbation of concerns that the interests of the Company and common interests of shareholders would be impaired.

#### Article 11 Performance of functions as asset owner of corporate pensions

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

#### Article 12 Relationships with Stakeholders

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

2. The Group believes that the active roles of diverse human resources can be a significant engine for a corporation's growth.
3. The Group shall establish the Group Help Line (internal contact: Audit Office, external contact: a law firm, corporate auditor's contact: a Full-time Corporate Auditors), an internal whistle-blowing system, by establishing the Group Helpline Regulations. Further, the Company shall establish a system for early detection, prevention of recurrence, and minimization of risks, and conduct compliance-focused management, giving utmost consideration to the privacy of whistleblowers, including officers and employees of the Group, and explicitly stipulating in its internal rules that the content of whistleblower reports shall be kept confidential and that dismissal or any other disadvantageous treatment of whistleblowers shall be prohibited.

### Chapter 4 Information Disclosure

#### Article 13 Information disclosure

Considering that disclosure of important financial and non-financial information is necessary for obtaining the appropriate understanding of Stakeholders, the Company shall implement 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, positively disclose in information provision, other than disclosure required under laws and regulations, and ensure that information provided by the Company is clear and highly useful for all the stakeholders.

### Chapter 5 Corporate Governance System

#### Article 14 Institutional design

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

2. The Company has elected to operate as a company with a board of corporate auditors. It shall establish 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 Meeting to which the authority for the execution of business realizing the content of its resolutions is to be delegated. Further, as a complementary mechanism to the Board of Directors, the Company shall establish the NR&E Committee as a voluntary advisory committee. Based on these systems, the Company shall realize the sustained corporate value improvement through the evolution of its offensive and defensive management and by quickly and

flexibly responding to changes in the business environment, with the Group working together as one.

#### Article 15 Roles and responsibilities of the Board of Directors

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

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. Moreover, the Company advances the transfer of authority to Management Meeting and departments responsible in accordance with the Regulations of Management Meeting and the Regulations of Administrative Authority in order to expedite decision making in the execution of business. The Board of Directors oversees the effectiveness of overall business operations in order to promote efficient business execution.
3. The Board of Directors shall communicate major directions in corporate strategies and management plans, etc. based on the management philosophy and provide an environment that supports the management team to assume appropriate levels of risk.
4. The Board of Directors shall formulate a management plan 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 plan for the next and following year.
5. In terms of internal control, the Company has established the Internal Control System Committee and its subordinate organs, which include the Group Compliance Committee, the Group Risk Management Committee, the Information Disclosure Committee, and the Internal Control Working Group, putting in place a structure for the execution of business in an efficient manner. 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. Internal control reports based on the Financial Instruments and Exchange Act are referred to the Board of Directors, which uses them to confirm the effectiveness of internal control. The Board of Directors evaluates the operation of the internal control system and reviews the system.
6. The Board of Directors shall formulate the Company's final policy on sustainability initiatives as discussed by the NR&E Committee and supervise the execution of operations in accordance with such policy.
7. To implement the matters described in the preceding paragraphs, the Board of Directors shall have a structure with an optimal scale that consists of members who have extensive capabilities in a balanced way.

#### Article 16 Operation of the Board of Directors

A meeting of the Board of Directors shall be conducted by a chair in such a manner that promotes and ensures free, vigorous and constructive discussion about issues and questions presented by the Outside Directors or Outside Corporate Auditors.

2. The secretariat of the Board of Directors shall deliver meeting materials to the Board members in advance, and provide other information as necessary, upon request from Outside Directors or Outside Corporate Auditors.
3. Schedules for meetings of the Board of Directors shall be determined in an annual plan.

#### 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 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 declaration of opinions in the Management Meeting, 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 Auditors who have appropriate knowledge and insight regarding financial affairs and accounting.
6. The Board of Corporate Auditors shall seek to collaborate with the Audit Office and managers of each department in conducting audits and with accounting auditors' firms 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 perspective that improvements in corporate value will contribute to the interests of shareholders.

#### Article 19 Roles and responsibilities and obligations of Independent Outside Directors

Based on their professional knowledge, Independent Outside Directors of the Company shall participate in discussions about agenda submitted to the Board of Directors, including those regarding management policies, investment, human resources (appointment and dismissal of top-level executives) and approval of conflict-of-interest transactions, express opinions 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 of accounting auditors in the Regulations of the Board of Corporate Auditors and confirm the independence 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 (quarterly, 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, etc., it shall report to the Board of Corporate Auditors. The Company shall establish a system under which opinions of 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 by sufficiently taking into consideration each candidate's personality, insight, etc. All Executive Officers shall be mandate-based Executive Officers.

2. The nomination and dismissal of candidates for Directors and Executive Officers shall be proposed to the Board of Directors by the NR&E Committee, which is an advisory body to the Board of Directors, following discussion, and the Board of Directors shall approve the proposal. The nomination and dismissal of candidates for Corporate Auditors shall be proposed to the Board of Corporate Auditors by the NR&E Committee, after deliberation, and upon obtaining the consent of the Board of Corporate Auditors, the Board of Directors shall approve the proposal. 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 and Internal Directors and 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. 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 NR&E 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  
The Company shall assess the effectiveness of the Board of Directors according to the following process and disclose a summary of the results.

- Each Director of the Company shall assess 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.

- With the involvement of a third party, a questionnaire shall be administered to members of the Board of Directors regarding items such as (1) the structure and operation of the Board of Directors, (2) strategy and implementation, (3) risk and crisis management, (4) corporate ethics, and (5) dialogue with shareholders.
- Based on each Director's self-assessment of their performance and the results of the above questionnaire, the overall effectiveness of the Board of Directors shall be analyzed and assessed after obtaining analysis results from a third-party financial institution.

## Chapter 7 Obtainment of Information and Support System

Article 25 Access to internal information by Directors and Corporate Auditors  
Directors and Corporate Auditors may obtain information regarding the Company as necessary.

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

Article 26 Policy for training of Directors and Corporate Auditors  
The Company has set the rule that a Director shall acquire information, knowledge and insight required as an Officer of the Company by utilizing external training, etc. The Company shall support the training by bearing the training cost. In addition, compliance training sessions shall be given to Directors and Corporate Auditors by a corporate lawyer at least once a year. Moreover, several Directors shall be dispatched to a higher-level specialized training institution each year with the aim of developing their competencies for becoming members of the management team in the future. Further, in order to help Outside Directors and Outside Corporate

Auditors to fully perform their functions, the Company shall provide, on a continuous basis, information regarding the status of the business, financial affairs, organizations, etc. of the Group to respective Outside Directors and Outside Corporate Auditors according to their job functions. Corporate Auditors of the Company shall become members of Japan Audit & Supervisory Board Members Association and participate in various training sessions held by the Association.

## Chapter 8 Policy on Constructive Dialogue with Shareholders

### Article 27 Dialogue with shareholders

The Company recognizes the importance of constructive dialogue with shareholders outside of the general meeting of shareholders, and shall create various opportunities for such dialogues. According to the Company's basic policies, Representative Directors and other Officers shall listen to shareholders, provide easy-to-understand, explicit explanations of the management policy and endeavor to appropriately handle dialogue with shareholders.

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

### Article 28 Formulation and announcement of management strategies and plans

In light of changes in the world such as the deregulation of energy and diversifying needs, 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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Revised on June 28, 2017  
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