

# Integrated Report 2022



**TOHO GAS CO.,LTD.**  
19-18, Sakurada-cho, Atsuta-ku, Nagoya, Aichi 456-8511, Japan  
<https://www.tohogas.co.jp/lang-n/en/corporate/>

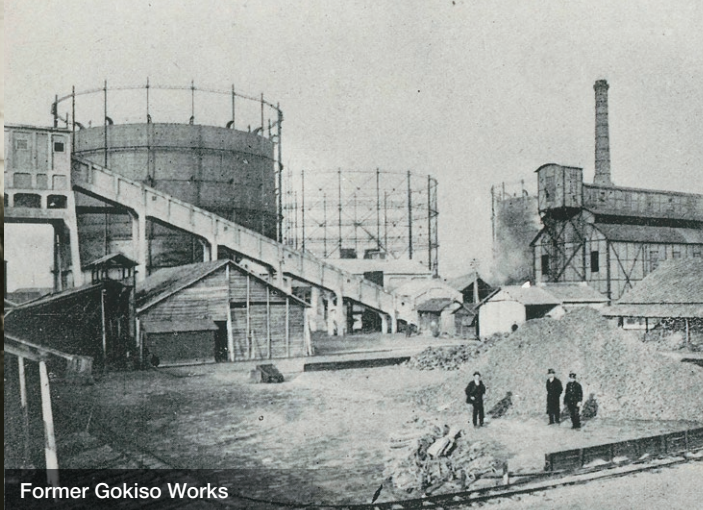
The following considerations have been applied to reduce the environmental impact.







Members at the establishment of Toho Gas



Former Gokiso Works



Toho Gas Head Office



Service vehicle advertising gas baths



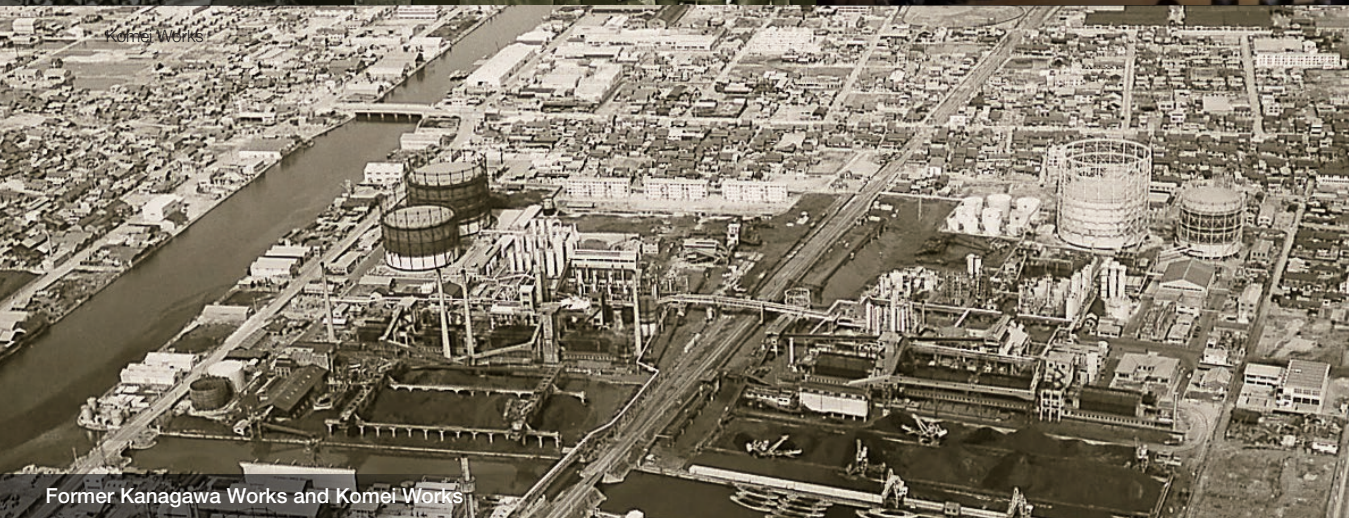
Ceremony to commemorate the start of conversion to natural gas



Recovery activities after the Great East Japan Earthquake



Chita-Midorihamma Works



Former Kanagawa Works and Komei Works



Cross-Ise Bay Gas Pipeline



Minato AQUUS Hydrogen Station

# Contributing to society through business activities

Toho Gas has been engaged in the gas business based on the idea of company-founder Sakura Okamoto that “we must not forget to be prepared to serve society with sincerity and to serve customers with gratitude.”

# Moving forward together for 100 years

Despite changes in the times and the environment, we have drawn close to local communities and moved forward together with customers while continually retaining the founding spirit of the company

# Enrich our future together.

\* “Enrich our future together.” is a tagline of Toho Gas Group Vision.

Toho Gas Group will remain close to the lives of customers and move forward toward a bright future as the company evolves over the next 100 years



# 100 Years of Progress

Toho Gas celebrated the centennial anniversary of the company's establishment in June 2022.

Taking on numerous challenges in response to changes in the business environment based on the company's founding spirit, we have converted the energy resources used for city gas, expanded usage applications, and achieved growth and development together with local communities.

We will continue to evolve for the next 100 years as a corporate group that develops alongside local communities by utilizing the strengths acquired through business management in last 100 years.

## Number of customers\*1 End of FY2021

# 2.87 million

\*1 Total number of customer accounts of City Gas, LPG, and Electricity.

## <FY2021> City gas sales volume

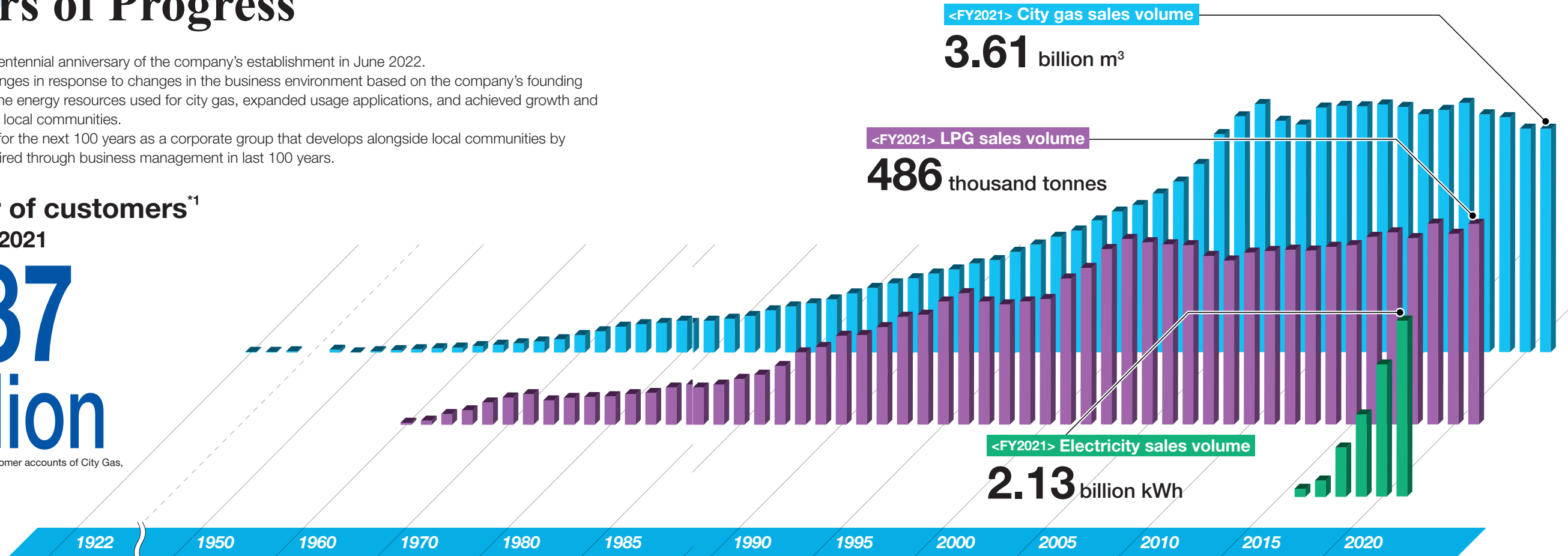
# 3.61 billion m<sup>3</sup>

## <FY2021> LPG sales volume

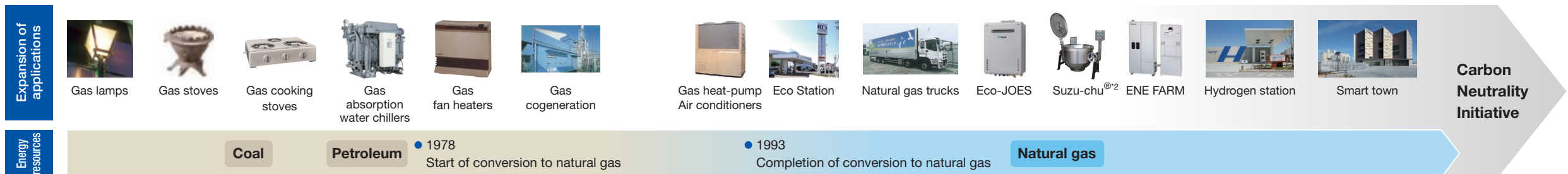
# 486 thousand tonnes

## <FY2021> Electricity sales volume

# 2.13 billion kWh



Up to today  
100 Years of Progress



\*2 Suzu-chu® is a registered trademark of Osaka Gas Co., Ltd.

### Responses addressing environmental changes

- Conversion of energy resources used for city gas and expansion of applications
- Establishment of LPG business and electricity business

### Achieving comfortable living and contributing to the development of manufacturing

- Development of energy-saving and high-efficiency equipment, equipment that makes life more comfortable, and optimal proposals suited to actual usage
- Expansion of service areas and business site network

### Responses addressing safety, security, stable supply and disasters

- Earthquake-proofing facilities, enhancing facilities and adoption of intangible measures for stable supply
- Local disaster response, support for recovery from disasters all over Japan

### Toho Gas Group's Activities

- 1922 Establishment of Toho Gas Co., Ltd.
- 1958 Start of operations at Komei Works
- 1959 Establishment of Toho Liquefied Fuel Co., Ltd. and start of LPG business
- 1961 First Gas Exhibition held
- 1970 Start of operations at Sorami Works
- 1977 Chita LNG Terminal First arrival of LNG carriers
- 1985 Establishment of Technical Research Institute
- 1987 Opening of Meiko LPG Terminal
- 1990 Introduction of district heating and cooling in Nagoya Sakae 3-chome area
- 1991 Start of operations at Yokkaichi Works
- 1993 Completion of conversion to natural gas
- 2001 Start of operations at Chita-Midorihamma Works
- 2003 Merger of Godo Gas, Gifu Gas, and Okazaki Gas
- 2009 Completion of circularization of transportation trunk pipeline
- 2013 Completion of Cross-Ise Bay Gas Pipeline
- 2016 Entry into retail electricity business
- 2017 Start of operations at Yokkaichi Power Generation
- 2018 Opening of Minato AQUUS smart town/Pro Kitchen OISIS commercial kitchen showroom
- 2019 Start of HOME REFORM by TOHO GAS, a store devoted exclusively to renovation.
- 2022 Toho Gas Network Co., Ltd. takes on general gas pipe business, etc.

### Historical Events

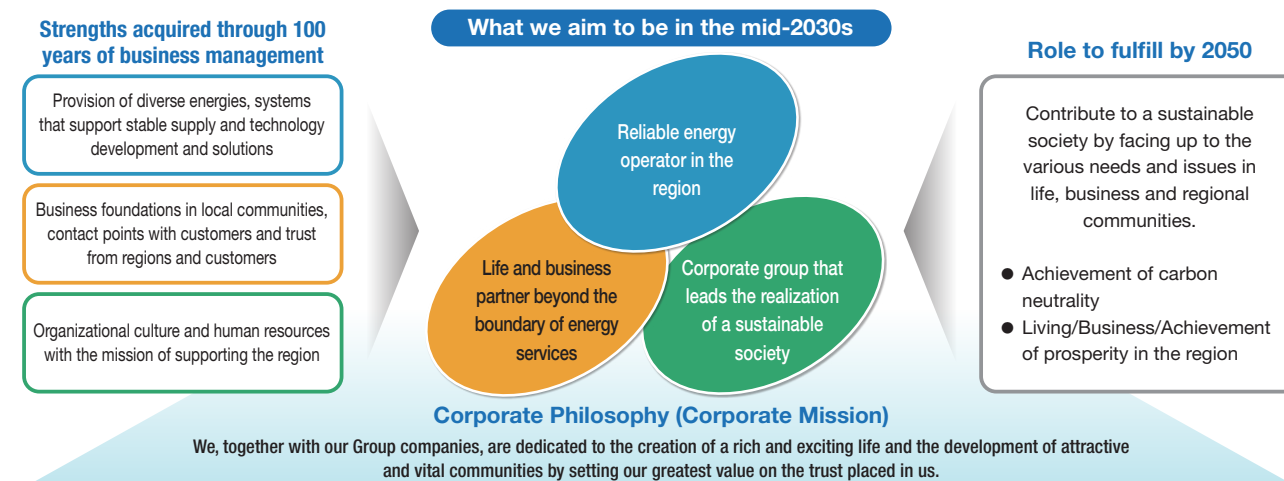
- 1941-45 The Pacific War
- 1959 Ise Bay Typhoon
- 1973 Start of first oil crisis
- 1977- No. 1 in Japan for volume of shipments of goods from Aichi Prefecture
- 1979 Start of second oil crisis
- 1995 Great Hanshin Earthquake
- 2011 Great East Japan Earthquake
- 2015 Adoption of Paris Agreement (COP21)
- 2016 Complete liberalization of electric power sales
- 2017 Complete liberalization of gas sales
- 2020 Spread of novel coronavirus infections
- 2005 Expo 2005 Aichi, Japan world exposition/ Opening of Chubu Centrair International Airport
- 2008 Global financial crisis

# Toward the Next 100 Years -Toho Gas Group Vision-

As the Group comes together as one to pave the way toward a new future, Toho Gas Group has established a new Vision to define the image of society in 2050 and to establish our aims for the interim point in the mid-2030s and the direction of initiatives toward achieving those aims.



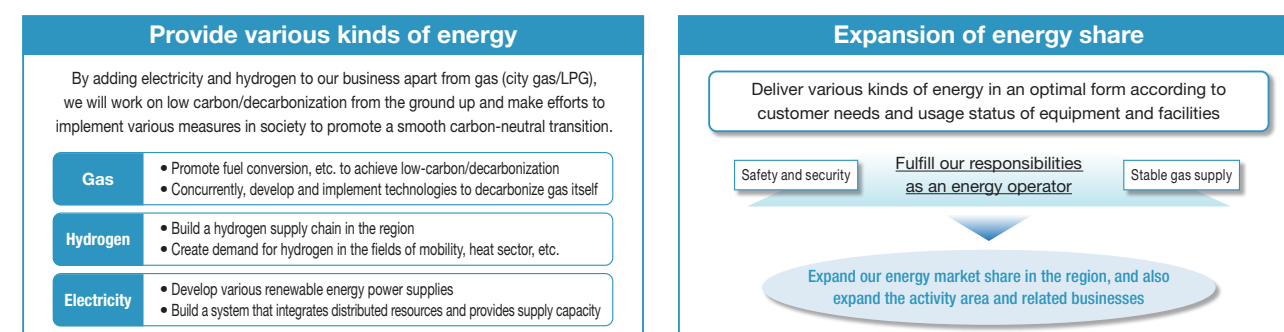
● Toho Gas Group Vision  
<https://www.tohogas.co.jp/lang/en/corporate/company-vision/>



Three initiatives are being promoted toward the realization of what we aim to be in the mid-2030s.

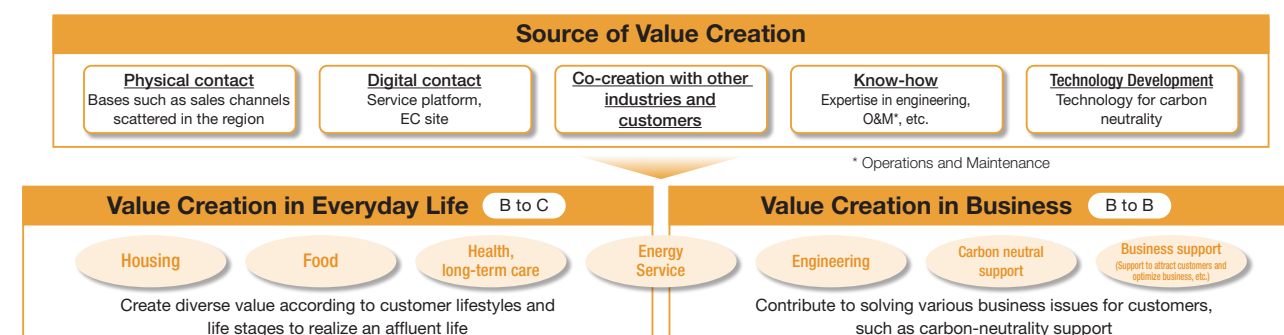
## Direction of efforts ① Evolve as an energy operator Provide various energy services to more customers

Just as the company has worked together to respond to major environmental changes in the past, we will work on achieving carbon neutrality and expand our market share by leveraging our strengths in diverse kinds of energy.



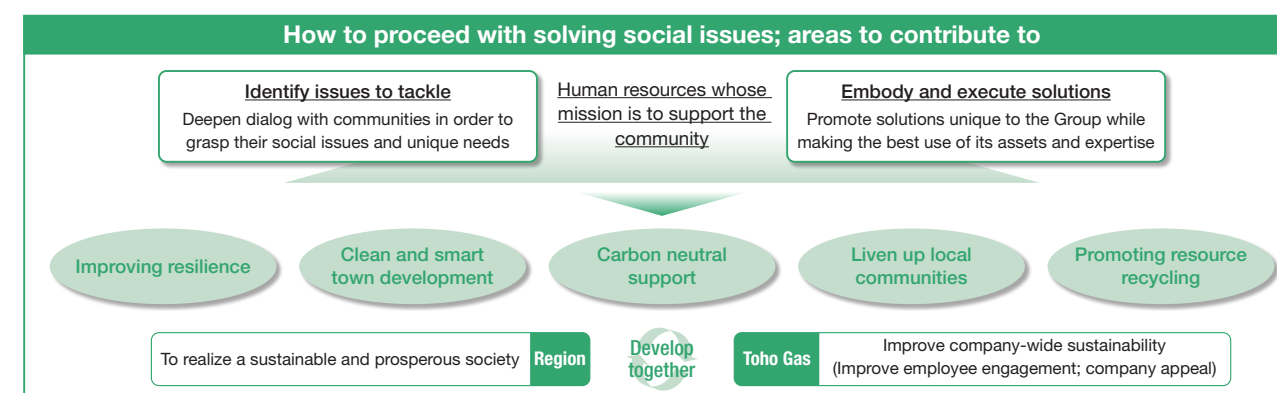
## Direction of efforts ② Create diverse value A better present and future for your life and business

We will contribute to solving “current” problems of customers in their lives and businesses, realizing a better “future” through a set of energy and service proposals, and expanding the provision of value other than energy.

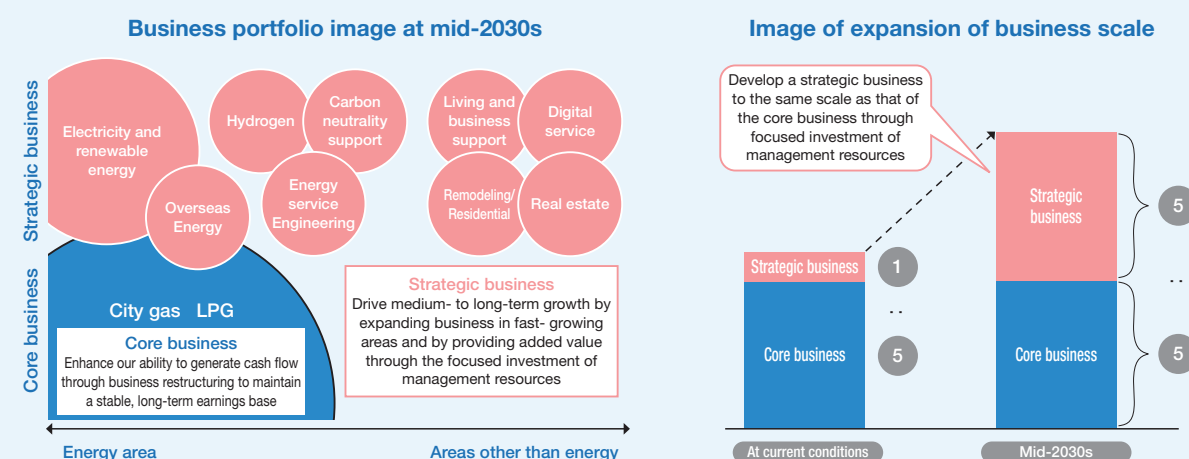


## Direction of efforts ③ Promote social issue solutions Contribute to the SDGs and the future ahead

We will contribute to achieving the SDGs and grow together with the region by further demonstrating the power of our organization and human resources, whose mission is to support the region, and by helping solve issues that the region has to tackle in the future.



## Transformation of business portfolio



## Company-wide challenges





# Corporate Philosophy

## Corporate Mission

We, together with our Group companies, are dedicated to the creation of a rich and exciting life and the development of attractive and vital communities by setting our greatest value on the trust placed in us.

## Management Policy

- Think and act on a customer-first basis.
- Develop markets through foresight and technology.
- Foster human resources by focusing on competence and ambition.
- Pursue a flexible and vitalized organization.
- Broaden our vision and expand our line of business.

## Employee Action Criteria

- Challenge and Innovation
- Sensitivity and Response
- Proficiency and Pride
- Activeness and Brightness
- Reliability and Honesty

## Perpetuating the Okamoto Spirit



The objective of the company is to contribute to society through services for users

**Sakura Okamoto,**  
the first President  
(Term of office: 1922–1935)

The first president of Toho Gas, Sakura Okamoto, believed that “Customers, shareholders, employees form a trinity, and the coexistence and coprosperity of such stakeholders in the company is indispensable.” We strive in the practical application of this. Furthermore, we have engaged in providing services in social and public aspects, advocating promotion of community welfare, and integration with local communities through this approach.

In 1932, based on a suggestion from Mr. Okamoto, the company contributed the construction costs for botanical gardens in Nagoya, which were completed five years later as the Higashiyama Botanical Gardens.

Okamoto was a manager who thought constantly about the company as a social public institution, and that spirit still forms part of the company’s DNA today.

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## Editorial Policy

We hope that the Integrated Report will enable all stakeholders to gain a deeper understanding of the Toho Gas Group. For this reason, we have summarized our strategy for continuous growth under the title of Value Creation Process, and we will introduce specific efforts toward this in the ESG Highlights and Business Report. We publish more details of the IR and corporation as well as information on our ESG initiatives and other matters on the Toho Gas website We are endeavoring to make this report an effective tool for communication with stakeholders by further expanding the content while reflecting feedback from all of our stakeholders.

- Reporting Period  
FY2021 (April 1, 2021-March 31, 2022)  
Some activities covered took place in FY2022.

- Reporting Scope  
In principle, Toho Gas Co., Ltd., consolidated subsidiaries and equity-method subsidiaries (as of March 31, 2022) are described as "Toho Gas Group." Information about some part of the Group will be indicated in individual reports for specific organizations.

- Reporting Scope  
The statements in this report concerning future expectations are forecasts based on information currently available and may include potential risks and uncertainties. Be aware, therefore, that due to various factors, actual results may differ from forecasts contained in this report.

- Reference Guidelines  
International Integrated Reporting Council (IIRC) Framework  
Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation  
GRI Standards  
ISO26000  
Environmental Reporting Guidelines (2018 version)  
Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

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## About the Design of the Cover



The cover of the Integrated Report 2022 was designed by an employee of Toho Flower Co., Ltd. The three lines represent the aims of the Toho Gas Group Vision and sustainable growth in this delicate image that depicts trust, diversity and the positive approach to staying close to the region. Toho Flower Co., Ltd. is a company in the Toho Gas Group established in October 2019. It aims to encourage hiring and lasting employment for persons with disabilities, thereby contributing to local communities.



## Message from the President

*With support from all around, Toho Gas celebrated its centennial anniversary.  
We will continue to take on challenges and grow alongside local communities.*



**Nobuyuki Masuda**

Representative Director, President

### Celebrating the Centennial Anniversary

Toho Gas celebrated the centennial anniversary of the company's establishment in June 2022. The spirit of the founder of the company, Sakura Okamoto, "customers, shareholders and employees form a trinity and the coexistence and coprosperity of such stakeholders in the company is indispensable," and "We aim for public (local community) service," which has been continually handed down since the establishment of the company is the driving force behind so-called stakeholder capitalism. In the path leading up to this centennial milestone, we have experienced various crises, including World Wars, Ise Bay Typhoon, the Oil Crisis. Despite this, we have been able to achieve steady growth because each employee returns to this founding spirit during times of difficulty so that, with support from various stakeholders and people in local communities, we have been able to face up to and overcome these difficulties.

The company has grown alongside local communities during this 100-year period. We have been able to achieve growth through the development of comfortable lives for people, the growth of industry and the prosperity of local communities. The business environment for the Toho Gas Group is changing more than ever. There is a striking increase in the need to realize carbon neutrality by 2050, to accelerate digitalization, and to achieve sustainability, but there are also major global impacts caused by rapid changes in the international and domestic social, political and economic situations, including the ongoing COVID-19 pandemic and the subsequent high oil price, the weak yen that has been impacted by the revision of U.S. economic policy, and geopolitical risks due to the Ukraine situation. Also, in terms of the systems of the gas business in Japan, following on from the full liberalization of gas retail in 2017, it has become necessary to take various measures to deal with environmental changes, including the split-off of the Pipeline Network Division in April 2022.

Under these circumstances, three points have again been made clear for the direction of company management. The first is the importance of the duty to ensure stable supply and safety/security as an energy business. The second is the heightened professional awareness of each employee with regard to supporting the energy infrastructure under any circumstance. The third is the value of all stakeholders, including customers, ENEDO/construction companies and other

partner companies, as well as the local communities supporting the growth of the company. At the same time, I have a strong sense of gratitude for the fact that the current stability in the management of the business could not have been achieved without the "intangible assets" acquired by our predecessors who overcame numerous difficulties in this area. I am also keenly aware of the serious responsibility of handing on this baton to the next generation.

### Establishing the Group Vision with a View to the Future

How can we move forward to the next 100 years overcoming this period of drastic change? We need a guideline that provides us with a solid foundation. For that reason, we spent almost an entire year, as a company-wide project, to develop the Toho Gas Group Vision, which was announced in March 2022.

The Vision underwent thorough reviews by senior management, and opinions of junior and mid-level employees about the ideal future image were also taken on board. This led to the Vision that provides a "compass" to pave the way to a new future by establishing a shared understanding among employees during these environmental changes. Heated discussions were held in order to arrive at the three aims for what the Group should be by the mid-2030s, as stated in the Vision, namely: Reliable energy operator in the region; Life and business partner beyond the boundary of energy services; and a Corporate group that leads the realization of a sustainable society.

The most important point of the discussions was whether to pursue the growth of the company as a conventional energy operator to try new initiatives with a view toward new possibilities in the future. The conclusion that we ultimately reached from these debates was to transform the current business portfolio to go beyond the boundaries of being an energy "supply" operator to become more beneficial to local people and to take the lead in realizing a sustainable society.

On the other hand, debates reviewing the way we conduct our own business led to new recognition of our strengths: the systems to ensure stable energy supply in the region; connections with the regional communities and the customers, trust relationship, and network built up over last 100 years; and an organizational culture and human resources that work hard to resolve the difficulties faced by customers.



## Message from the President

From the perspectives of energy efficiency, resilience, and the optimal mixture of energies, gas will continue to be an important energy for Japan. Based on the Group Vision, and with the earnings base from city gas and LPG as our core business, we will raise our earning power by combining both core and strategic businesses into one while prioritizing the investment of management resources into strategic businesses that include the electricity and energy-related business as well as the new non-energy businesses. Enhancing the passion in the company, we will engage in the co-creation of new values with the group companies and partner companies, while maintaining the basic stance of togetherness with the local communities, our aim is to transform from an energy selling company to a company that sells a wide range of services, including energy, that support life and business.

### Start of Medium-Term Management Plan 2022-2025

The previous Medium-Term Management Plan 2019-2021 promoted development into a Total Energy Provider of city gas, LPG and electricity in order to increase the total share in those three energies. Driven by the expanded scale of the electricity business, the total number of customers has steadily increased despite major changes in the business environment, including the complete liberalization of gas and electricity retail, the COVID-19 pandemic, and the acceleration of carbon neutrality. The cash flow derived from management

activities has been divided in a balanced way between investment into the city gas business and investment into growth businesses, while also making reliable investments into the future, including renewable energy.

The Medium-Term Management Plan 2022-2025 is positioned as the first step toward achieving the Group Vision while also promoting carbon neutrality initiatives and shifting from core business to strategic business with the aim of achieving new growth. Specifically, there are four themes to be tackled toward the realization of the three aims stated in the Vision: (1) Promote carbon neutrality, (2) Evolve as an energy operator, (3) Create diverse values and (4) Contribute to the SDGs. As a Group, we will engage in these four themes and define the path toward new growth.

The most important points for sales in the Medium-Term Management Plan are to utilize the customer base in order to propose value-added unique services and cash-in and cash-out balance for finances. For sales, by means of proposal-based sales rooted in the region, we aim to steadily increase the total number of gas, LPG and electricity customers so as to achieve the target of 3 million customers as quickly as possible. In addition, by enhancing the use of Digital Transformation (DX) and digital contacts, including life service platforms, our aim is to achieve 1.3 million digital contact members. Utilizing this customer base, we will expand value-added unique service proposals centering on the following areas: housing such as renovation, food such as co-development of services with restaurants, and health and nursing such as nursing services,

For finance, in addition to generating operating cash flow of 210 billion yen or more in four years with a focus on city gas, LPG and electricity, we aim to achieve continuous growth by balancing distribution between investment in core and strategic business and returns to shareholders.

### Promotion of ESG Management toward Sustainable Growth

ESG management is the basis of initiatives for the sustained growth of the Group. Based on the two pillars of social value and economic value, we identified the materiality and are striving to achieve it through our business activities.

As stated in the Materiality section in this report, the promotion of carbon neutrality is an important challenge that the Group is determined to take on. The key point toward the realization of a carbon neutral society is to make effective use of existing facilities and equipment such as city gas pipelines in order to minimize the cost to the society as a whole. How do we make city gas itself carbon neutral? To do so, it is important to take definite measures based on a clear and practical route toward the stable supply of hydrogen and recycling carbon dioxide by establishing methanization technology to make methane (CH<sub>4</sub>), a raw material of city gas, made out of hydrogen (H<sub>2</sub>) and carbon dioxide (CO<sub>2</sub>).

Since the establishment of the company in 1922, we have worked to reduce the environmental impact while successively changing the raw material of city gas, our main business, from coal to petroleum and then to natural gas. Based on the technology and experience we have acquired as an energy operator, we are fulfilling our duty to maintain the stable supply of energy while taking the view that measures for carbon neutrality will offer new earnings opportunities. Contributing to the realization of carbon neutrality will satisfy the expectations and trust placed in us by all stakeholders.

We recognize that it is important to contribute to the resolution of social issues through the creation of diverse services and values. Toho Gas is a company that has grown up in the region, and is developing together with the region. We will continue to resolve issues to contribute to achieving the SDGs by more clearly demonstrating our “organizational culture and human resources that have the mission of supporting the region,” which is a strength we have acquired through our 100 years of business management. In order to continue achieving this, we must continuously



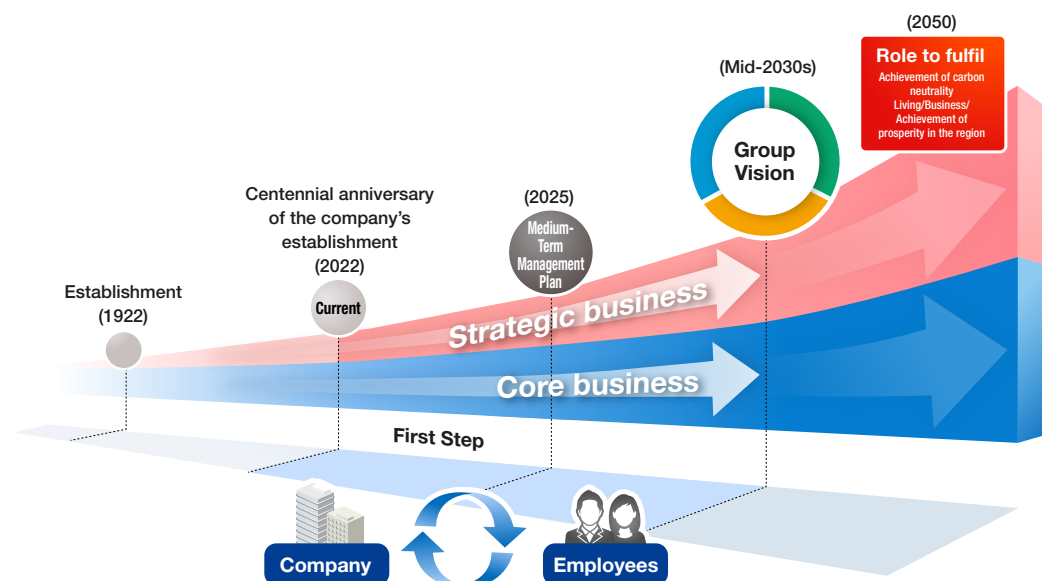
engage in the construction of strong governance systems, as well as the growth of individuals and the organization through the improvement of job satisfaction, comfortable working environments and diversity. Our Corporate Philosophy, “We are dedicated to the creation of a rich and exciting life and the development of attractive and vital communities by setting our greatest value on the trust placed in us,” truly speaks to the realization of sustainable regions and societies. Based on this Philosophy, we will continue to promote ESG management.

### In Conclusion

While there will continue to be changes in the times, systems and in society, I believe that we have been able to demonstrate a Vision that is unique to our company as a result of outspoken discussions with a clear view toward the future. An important mission for me as an executive is to prepare the environment that allows the employees to tackle on new challenges.

Looking toward the next 100 years, we will further refine the strengths that we have acquired and, despite the increasingly challenging environment, we will continue to grow with the region as an indispensable company that provides relevant values to local people. Also, our concept of the region itself is not something that is fixed in place but rather grow along as our business expands. While maintaining this basic stance, we will make changes where necessary. In order to achieve this, I will take the lead in responding to change to bring the entire Group together to tackle these challenges.

July 2022







**Hidetaka Takeuchi**  
Managing Executive Officer

Message  
from Financial  
Executive

## Introduction

I am Hidetaka Takeuchi, responsible for financial affairs. I was appointed as the head of the Finance Department in June 2021. Since joining the company, in addition to accounting, personnel and general affairs, I have been involved in a wide range of operations, including sales, management and administration of subsidiaries. I feel that my greatest strength is the ability to understand the financial figures while maintaining an awareness of the on-site situation. I will utilize this strength while fulfilling my role as a finance executive.

## Basic Concept of the Financial Strategy

The key of the company's financial strategy is to achieve a good balance between sustained growth, improved asset efficiency, and sustained financial soundness for the Group from the perspectives of dynamism and orderliness.

For the sustainable growth of the Group, in addition to utilizing the customer base to raise sales per customer through added-value service proposals that are unique to the company while also steadily increasing the number of city gas, LPG and electricity customers, we will generate dynamism as a company by promoting strategic business investment in electricity and energy-related areas.

On the other hand, from the perspective of orderliness, it is important to improve asset efficiency by means of investment evaluations with an awareness of capital costs and the replacement of assets, and to maintain financial soundness by ensuring stable return to shareholders and the control of interest-bearing liabilities.

In the Financial Strategy, this balance between dynamism and orderliness is kept in mind at all times.

## Looking Back on the Medium-Term Management Plan 2019-2021

In the previous Medium-Term Management Plan 2019-2021, we worked for initiatives to achieve the

financial targets that were set for operating cash flow and ROA.

While operating cash flow fluctuated each year depending on the impact of the sliding time lag effect, the level of operating cash flow was greater than the target of 160 billion yen (168.2 billion yen) in the three-year period, allowing investment in city gas business and growth businesses to go as planned.

Although ROA was lower than the 3% target due to the impact on assets from the inflated market evaluations of derivatives and annuities, as well as the temporary downturn in profit caused by changes in the external environment including COVID-19, and the increased cost of safety measures, we were generally successful in securing ROA of approx. 3%, excluding these external factors.

## Medium-Term Management Plan 2022-2025

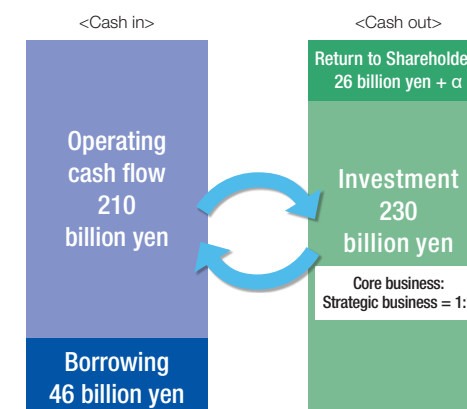
The Medium-Term Management Plan 2022-2025 announced in March 2022 is positioned as the first step toward achieving what the company aims to be by the mid-2030s as shown in the Group Vision announced at the same time.

Specifically, I think that this upcoming three-year period is a period in which we accelerate a shift in management resources from the core business (city gas/LPG) to strategic business (electricity and renewable energy, new non-energy business) toward reforming the business portfolio, establishing a path toward new growth.

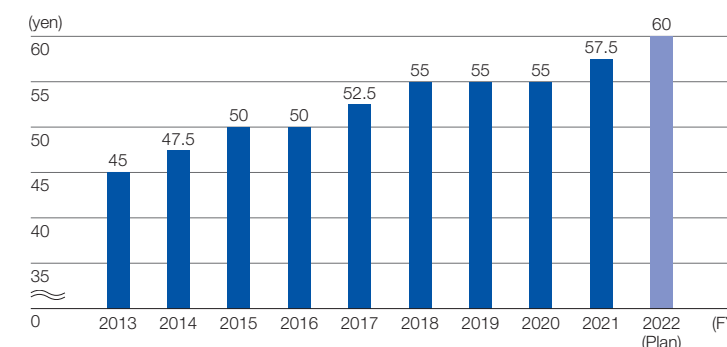
Financial management will be conducted using the financial strategy policies in the current Medium-Term Management Plan: "Accelerate investment for sustainable growth while maintaining the ability to generate operating cash flow," and "Even in an investment expansion phase, balance between efficiency and soundness to manage the entire system."

Based on those policies, operating cash flow, ROA and D/E ratios have been set for each indicator, namely, profitability, efficiency and soundness.

### • Cash Flow in the Medium-Term Management Plan 2022-2025



### • Transition in Dividend Per Share



\*Toho Gas consolidated its shares at the ratio of 5 shares to 1 share of common stock effective October 1, 2017. Accordingly, dividend per share reflects the impact of the said consolidation of shares.

Operating cash flow is considered to be the most important indicator as it measures stable earning power, which is a requirement for the sustainable growth of the company. By steadily increasing the number of city gas, LPG and electricity customers, which is the source of our earning power, we will generate operating cash flow of 210 billion yen or more in the four-year period based around the energy business.

In terms of finances, the aim is to raise the level of profit from around 22 billion yen on an ordinary consolidated income basis to 25 billion yen (+10%) by FY2025, the final year of the Medium-Term Management Plan.

Although this is a phased of accelerated investment in strategic business, it is necessary to pursue overall efficiency even as investments lead to an increase in assets. The company's capital cost (WACC) is at the mid-2% level, whereas a higher level of 3% ROA has been set as the indicator of efficiency.

Because this is a phase of accelerated investment, it is important that financial management follows a strict order. From these perspectives, the D/E ratio was newly set in this Medium-Term Management Plan. With a standard D/E ratio of around 0.6, we will control interest-bearing debt while continually checking the balance of debt and capital.

In addition, we will appropriately manage cash inflow and outflow. Regarding cash inflow, in addition to the operating cash flow of 210 billion yen or more based on stable profits and depreciation and amortization, we will make use of leverage, including a certain amount of borrowing thanks to the healthy financial foundation. Regarding cash outflow, there will be a good balance in the investment of 230 billion yen between core business and strategic business (core:strategic = 1:1). Investment in core business will be steadily optimized to reduce the amount by around 10-20%. As for strategic business, while there is a certain time lag effect until individual cases produce stable profits,

we will make reliable investments based on appropriate evaluations of profitability, including investments in carbon neutrality. Also, even after investment, the profitability of individual cases will periodically be checked, and, when necessary, assets may be replaced. At the same time, stable returns to shareholders will also be made.

## Return to Shareholders

Regarding returns to shareholders, the basic policy has always been to flexibly implement the purchase and retirement of treasury stock based on an approach of providing stable dividends and to pay out 40-50% of net income in dividends from a medium-to-long term perspective. From now on, even as investment in carbon neutrality and other areas increases, there will be no change to this policy.

Comprehensively taking into account the income and stock price situation and the fact that the targets of the previous Medium-Term Management Plan were achieved, the year-end dividend for FY2021 has risen 57.5 yen, 30 yen increase from 27.5 yen per share. The year-end dividend for FY2022 is expected to be 60 yen. We will continue to operate in line with the Basic Policy with compatibility between investment toward sustainable growth and stable returns to shareholders.

## In Conclusion

The valuable opinions of all stakeholders regarding the company's Management Policy and financial strategy have been taken on board through various communication opportunities. We will continue to listen to such opinions as we work to increase corporate value while maintaining a balance between dynamism and orderliness in the financial strategy. We ask for your continued understanding and support.



# Medium-Term Management Plan 2022-2025

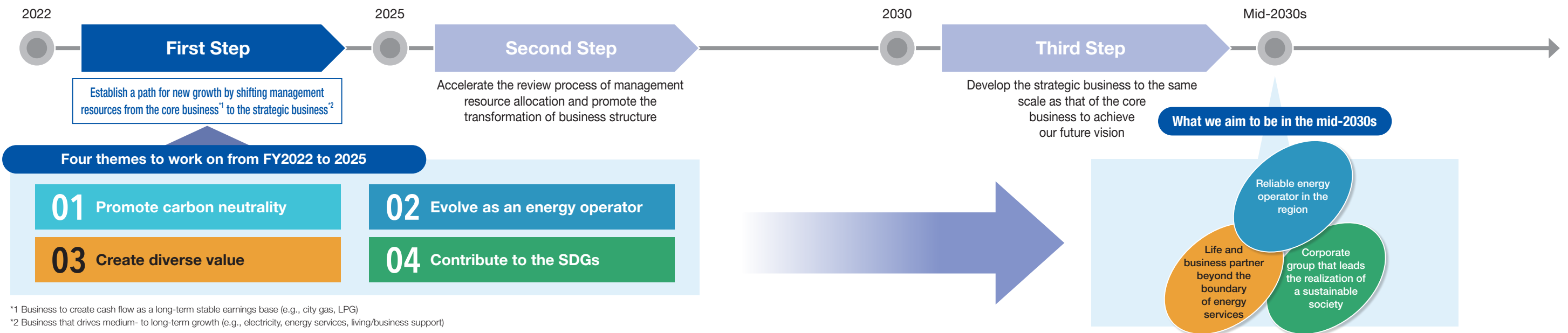
A new Medium-Term Management Plan was enacted for four years, with FY2022 as the initial year.

This Plan is positioned as the first step toward realizing what we aim to be in the mid-2030s, as stated in the Group Vision, and the path toward new growth will be made certain by means of initiatives based on four themes.



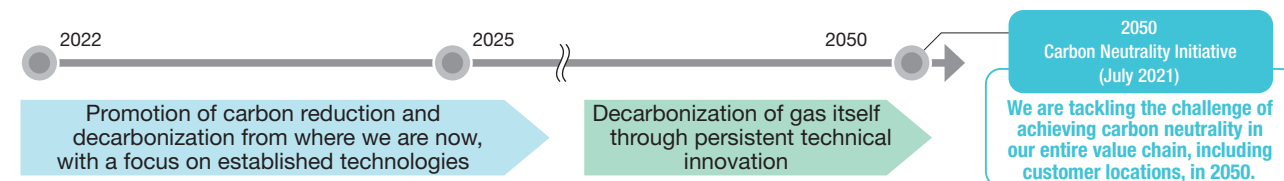
● Toho Gas Group Medium-Term Management Plan 2022-2025  
[https://www.tohogas.co.jp/lang/en/corporate/company-vision/pdf/en\\_pdf-midterm-conduct\\_01.pdf](https://www.tohogas.co.jp/lang/en/corporate/company-vision/pdf/en_pdf-midterm-conduct_01.pdf)

## Positioning of Medium-Term Management Plan



## 01 Promote carbon neutrality

In addition to promoting low-carbon/decarbonization efforts for our gas customers' premises, we will work to develop technologies with an eye on future decarbonization of gas itself. We will also work to expand the use of hydrogen, reduce/eliminate carbon in electricity and promote the transition to carbon neutrality.



### Reductions of carbon and decarbonization at gas customer locations

We provide one-stop support so that customers can achieve carbon neutrality by shifting fuel to city gas, promoting advanced energy utilization, and introducing carbon-neutral LNG.

- **Promotion of fuel type switching and advanced utilization of energy**
  - Contribute to low carbonization by switching fuel to city gas
  - Promote advanced use of energy using cogeneration and heat storage materials; strengthen sales of ENE-FARM, etc.
- **Efforts by the procurement side to meet customer needs**
  - Procure carbon-neutral LNG in a flexible manner
  - Investigate and study overseas projects on CO<sub>2</sub> absorption and fixation and on procurement of zero emission fuels, etc.
- **Support customers to achieve carbon neutrality**
  - We will provide support for a series of initiatives of our corporate customers so that they can realize carbon neutrality, from consulting to implementation of reduction measures to subsequent operation management and maintenance

### Develop technologies to decarbonize gas itself

We will steadily promote the development and demonstration of CO<sub>2</sub> separation/capture and methanation, which are some of the key technologies to achieve carbon neutrality.

- **CO<sub>2</sub> separation and capture**
  - With the aim of separating and capturing CO<sub>2</sub> at our customers' sites, build a system that uses membranes and adsorbents to promote in-house verification
  - Toward the future, promote element study and test evaluation with the aim of separating and capturing CO<sub>2</sub> from the atmosphere/exhaust gas by using LNG cold energy
- **Methanation (synthetic methane)**
  - Start with a small-scale demonstration using biogas-derived CO<sub>2</sub> for the practical application of methanation technology and the mass introduction of synthetic methane
  - Use methane synthesized in the demonstration as a raw material for city gas



● **Announcement of Toho Gas Group 2050 Carbon Neutrality Initiative**  
<https://www.tohogas.co.jp/lang/en/corporate/company-vision/pdf/carbon-neutrality-initiative.pdf>

Goals by FY2025	● Amount of contribution to CO <sub>2</sub> reduction	1 million tonnes	● Amount handled of renewable energy power sources*	250 thousand kW
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\* The amount handled of renewable energy power sources includes all power sources developed and owned in Japan and overseas, feed-in tariff (FIT) power generation, and procurement.

### Establish a foundation to expand the use of hydrogen

In addition to embodying the concept of a hydrogen supply base, we will build up a firm position as a hydrogen supplier in the region by advancing efforts to the practical application of hydrogen utilization technology and by responding to increasing hydrogen needs.

- **Building the Chita Midorihamma Factory-based hydrogen supply chain**
  - Constructed a hydrogen production plant in the factory
  - Actively promote alliances with other companies that have insights and expertise, and take initiative in establishing a hydrogen supply chain in the region
- **Use of hydrogen**
  - Promote technological development related to hydrogen combustion to expand its applicability in the thermal and other fields and commercialize hydrogen technologies at an early stage through demonstration at customers' sites
  - As for mobility applications, develop and operate hydrogen stations by utilizing a cross-industry framework to expand vehicle types and applications

### Low-carbonize/decarbonize electricity

We will enhance the development and procurement of renewable energy power sources while diversifying power sources, and we will provide a menu of services that utilize these sources to contribute to our customers' carbon neutrality.

- **Expansion of renewable energy power sources**
  - In addition to solar power, biomass, and other renewable energies, we will diversify power sources in the medium-term future, including involvement in offshore wind power, and broaden the development and procurement of renewable energy power sources
- **Utilization of renewable energy power supply**
  - Combine renewable energy power sources and nonfossil certificates to provide a carbon-neutral electricity service menu
  - Propose new regional electric power etc. centering on renewable energy sources
- **Expansion of electricity services**
  - Strengthen sales of distributed energy resources, such as solar power generation and storage batteries
  - Launch demonstration and commercialization of Virtual Power Plants, etc.



## Medium-Term Management Plan 2022-2025

### 02 Evolve as an energy operator

Group Vision  
What we aim  
to be

Reliable energy  
operator in the  
region

We will continue to take all possible measures to ensure safe, secure, and stable supply and strive to increase our energy market share by utilizing diverse kinds of energy. We will also work to further extend new energy-related business at home and overseas.

Goals by  
FY2025

●Number of  
customer  
accounts<sup>\*1</sup>

Achieving **3 million**  
as soon as possible

●Sales volume

City gas<sup>\*2</sup> — Maintain the same level as 2021  
LPG — Approximately 10% expansion  
Electricity — Expanded by about 10% every year

<sup>\*1</sup> Total number of customer accounts of City Gas, LPG, and Electricity. <sup>\*2</sup> Including LNG sales volume (Converted to the amount of City Gas)

#### Expansion of energy share

As a total energy provider, we deliver variety of energy services, including city gas, LPG, electricity and hydrogen, to more customers in an optimal manner to support their life and business.

##### ● Responding to diverse customer needs

- Improve menu options to meet diverse customer needs such as carbon-neutral energy supply
- Promote solution proposals

##### ● Strengthening sales proposals, alliances

- Deepen relationships with customers through our community-based service shop "ENEDO," which serves as a real contact point
- Utilize/strengthen alliances with other companies; broad-based development

#### Ensuring safe, secure and stable supply

We will ensure constantly safe, secure and stable energy supply while steadily promoting the development of city gas infrastructure to achieve low carbonization from the ground up.

##### ● Develop infrastructure for the spread and expansion of city gas

- Expand service areas through city planning and demand development
- Promote the development of supply infrastructure to improve the capacity of gas transportation to wider areas

##### ● Ensure safe, secure and stable city gas supply

- Promote various measures to ensure safe, secure and stable supply

#### Realization of low-cost and stable procurement

To mitigate the effects of the changing international situation and rapidly changing market conditions, we will promote the diversification of suppliers in order to secure stable and inexpensive procurement.

##### ● LNG procurement

- Decentralize procurement areas and diversify contract types
- Launch procurement from the LNG Canada Project
- To further improve flexibility and achieve lower procurement prices, examine measures and establish systems by making use of the Group's assets and expertise

##### ● LPG procurement

- Flexible procurement by using the Meiko LPG Terminal
- Streamline delivery management through the use of digital technology

##### ● Electricity procurement

- Procure stable power by utilizing the Yokkaichi Power Station and collaborating with multiple partners
- To stabilize procurement and income/expenditure fluctuations, promote efforts to secure power sources and improve the ratio of in-house power sources (e.g., examining large-scale power sources, utilizing VPP and storage batteries)

#### Expansion of domestic and overseas energy-related business

With the knowledge and expertise cultivated through our business operation, we will scale up energy-related business, such as gas sales/LNG-related business and renewable energy business, at home and overseas.

##### ● Participate in investments in domestic and overseas energy projects

- Participation in domestic and overseas renewable energy business
- Fuel conversion from coal, petroleum, etc. to city gas in collaboration with local gas companies
- Strengthen information gathering and project discovery capabilities by enhancing overseas base factors

##### ● Involvement in the LNG value chain, etc.

- Launch the LNG Canada Project (midstream project) in addition to the Ichthys Project (upstream) and LNG transport vessels

### 03 Create diverse value

Group Vision  
What we aim  
to be

Life and business  
partner beyond the  
boundary of energy  
services

We will expand our services to meet diversifying customer needs and solve their problems and also broaden our business domains by utilizing our assets and expertise.

Goals by  
FY2025

●Digital contacts

Membership **1.3 million** (Double from now)

●Number of new  
service launches

About **10** services a year

#### Expansion of services that enrich people's lives

Enhance customer contact points by improving the contents and convenience of our digital platforms.

##### ● Expansion of contact points with customers

- Expand the number of contact points by expanding the content and convenience of digital platforms

##### ● Expansion of service menu

- Enhance services through initiatives such as co-creation with customers or start-ups

#### Expansion of services to support business

We will enhance our support for customers' business by expanding service menu options that help solve increasingly complex and sophisticated business issues.

##### ● Expand products and services

- Expand the menu of products and services that contribute to improving customers' business profitability and operation through "TOHOBIZNEX," our total business support site
- In the energy service area, broaden the scope of services for appliances in addition to cogeneration and gas air conditioning
- Co-creation with other industries to further expand service areas

#### Broaden business domains by utilizing our assets and expertise

We will expand our business domain by leveraging the Group's assets and expertise and actively engage in co-creation with other businesses.

##### ● Utilization of owned real estate

- Effectively utilize real estate, such as former sales offices and supply stations, for regional development

##### ● External sales of production technology and shared technology

- Expand expertise and commercial materials cultivated through the production and supply of city gas to other fields/industries

##### ● Business development in new areas

- Explore and demonstrate new areas that contribute to solving social issues and promoting regional development while utilizing company-owned assets and expertise
- Create value through cocreation and collaboration with other industries and start-ups

### 04 Contribute to the SDGs

Group Vision  
What we aim  
to be

Corporate  
group that leads  
the realization of  
a sustainable  
society

As a community-based company, we will continue to contribute to the achievement of the SDGs together with our stakeholders.

#### Strengthen initiatives for coexistence with local communities

We will work more closely with local governments and other organizations to strengthen efforts for coexistence with local communities to solve social issues and improve resilience.

##### ● Promote solutions for social issues by collaborating with local governments

- Contribute to the development of attractive communities by deepening cooperation with local governments in various fields, including carbon-neutral support and the introduction of district heating and cooling
- Revitalize regional economy through regional new energy

##### ● Improve local resilience

- Improve region-wide disaster prevention capabilities by enhancing industry-government-academia collaboration
- Conduct joint disaster prevention drills and fortify collaborative structures with local governments in case of a disaster
- Improve resilience of other gas operators through deterioration diagnosis of facilities and technical support for construction/maintenance of other infrastructure
- Promote the introduction of distributed power sources

##### ● Minato AQUUS (Second stage development)

- Promote the revitalization of the region and development of sustainable and robust communities
- In a tie up with Nagoya City, introduce various technologies to achieve carbon neutrality at an early stage and improve the quality of life

#### Initiatives for ESG

We will steadily address the ESG issues toward the realization of sustainability.

##### ● Environment (E)

- Implement climate change countermeasures, resource environment protection, and biodiversity conservation; contribute toward realizing a sustainable society

##### ● Society (S)

- Maintain and strengthen relationships with stakeholders and contribute to regional development together with partner companies and other concerned parties

##### ● Governance (G)

- Strengthen corporate governance to continue to be a company trusted by stakeholders

#### Improve work satisfaction and ease of work and promote diversity

We will work to improve job satisfaction and ensure a comfortable working environment and diversity in order to increase employee engagement and to achieve individual and organizational growth.

##### ● Human resource management

- Promote challenges for employees through training, placement, evaluation, etc. for their further growth

##### ● Diversity and inclusion

- Secure diverse human resources and support their activities toward revitalizing the organization, strengthening competitiveness, and creating innovation

##### ● Flexible working style

- Establish an environment where employees can choose a productive working style so that they can achieve a fulfilling work-life balance

##### ● Safety and health management

- Encourage physical and mental health promotion and create a safe, secure and comfortable workplace so that employees can play an active role for a long time

#### Management Index

##### ■ Policy

- Accelerate investment for sustainable growth while maintaining the ability to generate operating cash flow
- Even in an investment expansion phase, balance between efficiency and soundness to manage the entire system

Management Index		Management Goal	
Profitability	Operating cash flow	<b>210 billion yen and over</b>	(Cumulative total from FY2022 to FY2025)
Efficiency	ROA	<b>About 3%<sup>*1</sup> &gt; WACC<sup>*2</sup></b>	(FY2025)
Soundness	D/E ratio	<b>About 0.6</b>	(FY2025)

<sup>\*1</sup> Consolidated ordinary income for FY2025 is approximately 25 billion yen <sup>\*2</sup> WACC=Cost of capital: Mid 2%

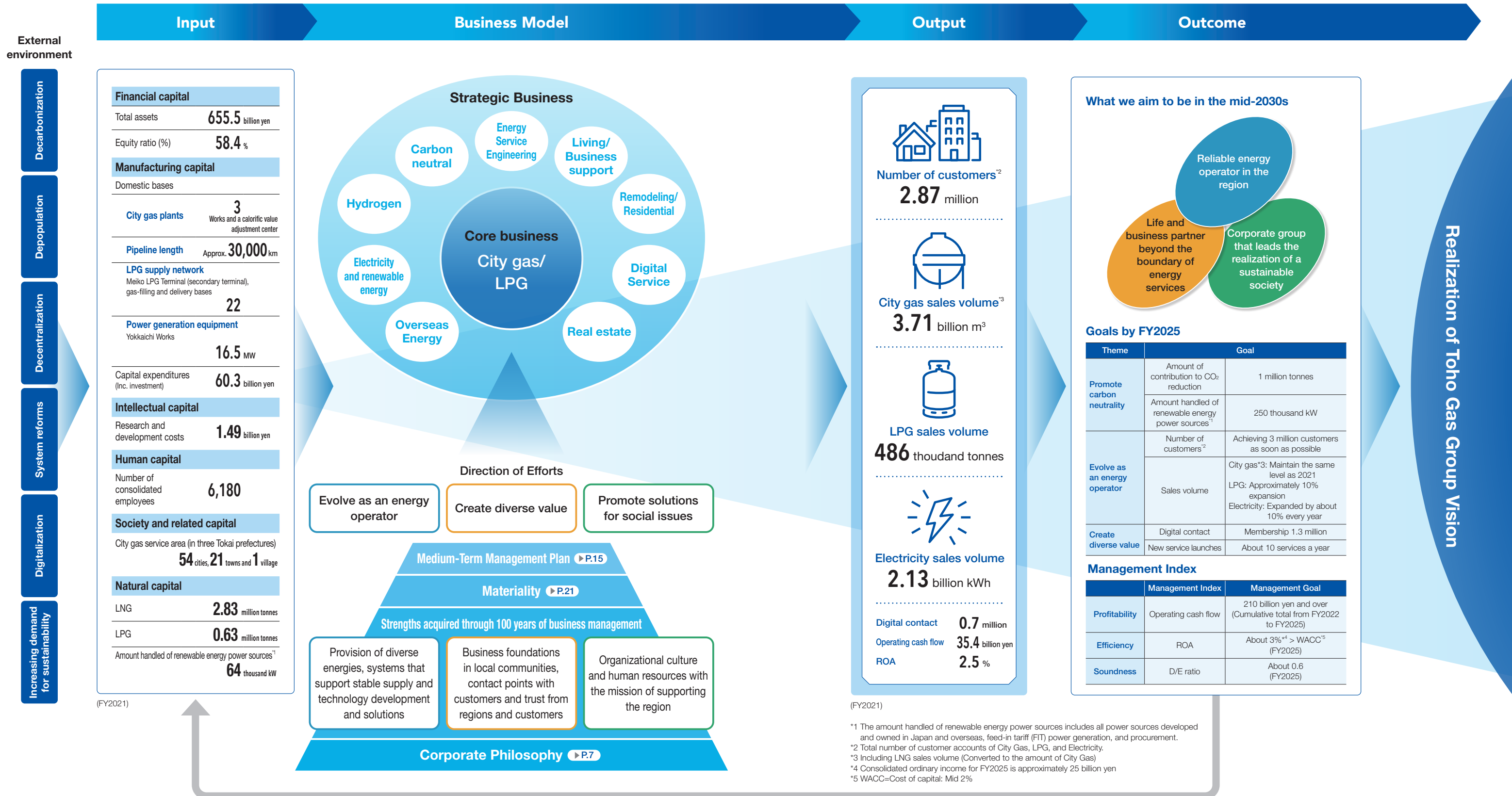


## Toho Gas Group's Value Creation

## Value Creation Process

Based on the founding spirit in which customers, shareholders and employees form a trinity with the aim of being a public (local community) service, we have constantly sought to create new value while taking on various challenges as a Group and growing together with the region.

While utilizing our strengths acquired through 100 years of business management to the full, we will contribute to the realization of a sustainable society while also achieving the Toho Gas Group Vision.





## Toho Gas Group's Value Creation

# Materiality

Following a review of the key issues from the viewpoints of both economic and social value, Toho Gas Group has specified new materiality toward the realization of the aims of the Group Vision.

## Materiality Identification Process

Taking as a reference the GRI Standards\*, which are the international standards for sustainability information disclosure, we extracted individual issues based on the expectations of stakeholders in line with the consideration of the new Toho Gas Group Vision. The issues were evaluated from the viewpoints of economic and social value, and, after exchanging opinions with the relevant agencies, the new materiality was selected through the Management Committee and the Board of Directors.

\* Standards for sustainability information disclosure published by the Global Reporting Initiative (GRI), an international NGO

### STEP 1

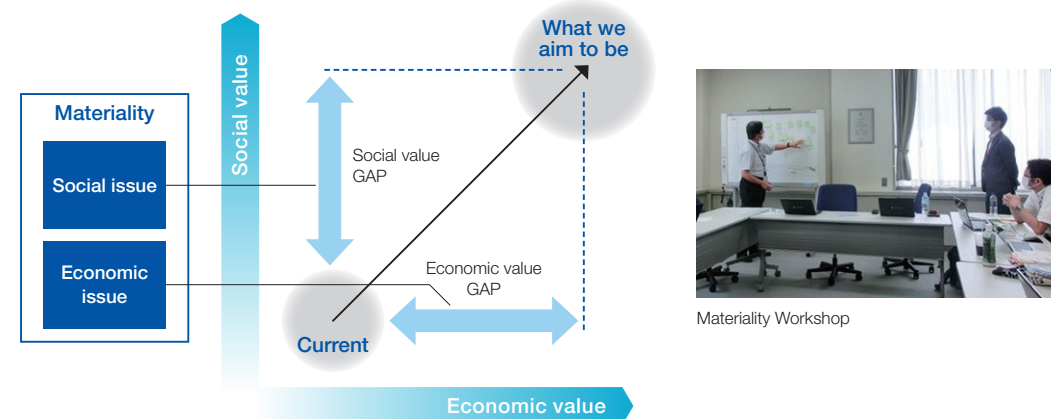
#### Extraction of individual issues

Based on the details of considerations in the process of formulating the Group Vision, items for evaluation by ESG evaluation agencies, and expectations from stakeholders, the potential individual issues were brought up and, following interviews with each department, 30 individual issues were extracted.

### STEP 2

#### Organization and evaluation of extracted individual issues

The prospective materiality was investigated in a workshop based on the individual issues extracted in STEP 1. Based on the viewpoints of both economic and social value, the individual issues were mapped out toward the realization of a sustainable society and the Group Vision. Issues with common factors were grouped together.



### STEP 3

#### Identify Materiality

Discussions were held about the groups formed in STEP 2, and a draft materiality was organized. The materiality was selected through the Management Committee and the Board of Directors.

The challenges and goals for efforts toward the new materiality were brought in line with the Medium-Term Management Plan 2022-2025. For details of the goals of the new materiality, the previous materiality and its results, please visit the company website.



● Materiality

<https://www.tohogas.co.jp/lang/en/approach/eco/materiality/>

Materiality	Action Issues	Related SDGs
Promote carbon neutrality	<ul style="list-style-type: none"> <li>Reductions of carbon and decarbonization at gas customer locations</li> <li>Contribute to the reduction in CO<sub>2</sub> emissions from society as a whole</li> <li>Develop technologies to decarbonize gas itself</li> <li>Establish a foundation to expand the use of hydrogen</li> <li>Low-carbonize/decarbonize electricity</li> </ul>	
Provide various kinds of energy and services	<ul style="list-style-type: none"> <li>Development into a Total Energy Provider</li> <li>Expansion of domestic and overseas energy-related business</li> <li>Provide value through services that enrich life and services that support business</li> </ul>	
Supply safe, secure and stable energy	<ul style="list-style-type: none"> <li>Advancing security measures and disaster measures</li> <li>Stable procurement at a reasonable price</li> </ul>	
Contribute to the region through the resolution of social issues	<ul style="list-style-type: none"> <li>Strengthen initiatives for coexistence with local communities</li> <li>Promotion of CSR procurement</li> <li>Promoting resource recycling</li> <li>Biodiversity conservation</li> </ul>	
Improve work satisfaction and ease of work and promote diversity	<ul style="list-style-type: none"> <li>Human resource management</li> <li>Diversity and inclusion</li> <li>Realizing flexible workstyles</li> <li>Safety and health management</li> </ul>	
Strengthen compliance and governance	<ul style="list-style-type: none"> <li>Promote risk management and strengthen information security</li> <li>Compliance promotion</li> </ul>	



The SDGs are 17 international goals that aim to achieve a sustainable society by 2030. The Toho Gas Group will continue contributing to resolving social issues and achieving SDGs through its business activities.



## Efforts Addressing Climate Change

Toho Gas Group  
2050 Carbon Neutrality Initiative

● Toho Gas Group 2050 Carbon Neutrality Initiative  
[https://www.tohogas.co.jp/lang/en/corporate/  
company-vision/pdf/carbon-neutrality-initiative.pdf](https://www.tohogas.co.jp/lang/en/corporate/company-vision/pdf/carbon-neutrality-initiative.pdf)



● For details, please visit the ESG site  
[https://www.tohogas.co.jp/lang/en/  
approach/eco/environment/eco-11/](https://www.tohogas.co.jp/lang/en/approach/eco/environment/eco-11/)

The Toho Gas Group regards climate change as a critical management issue, and has made proactive efforts to reduce environmental impact through expanding the popularization of natural gas, which is the fossil fuel with the least environmental load, and as well as developing high-efficiency gas equipment and encouraging its adoption. Having endorsed the Task Force on Climate-related Financial Disclosures (TCFD) in April 2020, the Group has been promoting efforts addressing climate change in line with the recommendations of the TCFD and, in July 2021, it enacted and published The Toho Gas Group 2050 Carbon Neutrality Initiative.

In addition to promoting low-carbon/decarbonization efforts for our customers' premises, we will work to develop technologies with an eye on future decarbonization of gas itself. We will also work to expand the use of hydrogen, reduce/eliminate carbon in electricity and promote the transition to carbon neutrality.

**Information Disclosure in Line with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)**

The TCFD published its final report in June 2017, and has recommended that enterprises and other organizations make disclosures with respect to the following items, including governance related to climate change as well as strategies (risks, opportunities, and responses).

**1 Governance**

- The Group recognizes that response to environmental issues, including climate change countermeasures, is a critical business issue.
- The Carbon Neutral Promotion Committee comprises executive officers from company departments, including the Company President (Representative Director) who acts as head of the committee, and meets two times or more a year. The Committee holds discussions to define the directionality for important matters, including policies and plans relating to carbon neutrality.
- With the Director of the CSR Environment Department (Executive Officer) as the chairperson, the Group Environmental Preservation Committee is held at least twice a year comprising directors and department heads from Toho Gas and its major subsidiaries. The Committee discusses and checks policies and targets toward reducing the environmental burden.
- Such important matters as risks and opportunities, strategies, risk management, and metric reporting relating to climate change are discussed by the Board of Directors through the Management Committee, which supervises the state of execution.

Reference: Environmental Management...P.25-P.26, Corporate Governance...P.39-P.40, Risk Management...P.41

**2 Strategy**

- To assess and evaluate future climate-related risks, opportunities, and responses in line with TCFD recommendations, we are conducting cross-sectional scenario analysis for the year 2050.
- As external scenarios we selected an "under-2°C scenario" in which the increase in global temperatures is held to less than 2°C and a "4°C scenario" in which change to lower carbon does not proceed. Based on the images of society in 2050 drawn out by these scenarios, and taking into account such temporal axes as short- to medium-term (through 2030) and medium- to long-term (through 2050), we identified risks and opportunities and assessed their impact.
- As a strategy geared to 2050, following discussions by the Board of Directors via the Management Committee, the Toho Gas Group 2050 Carbon Neutrality Initiative was formulated and announced in July 2021. With this strategy at the core, we are organizing our response measures for risks and opportunities and evaluating their resilience.

Reference: For impacts of and responses to risks and opportunities accompanying climate change, refer to the table at right.  
Internal Carbon Pricing...P.28

**3 Risk Management**

- At Toho Gas, we push forward organizational identification, assessment, and response with respect to risk occurrence and change based on Risk Management Rules, and improve the level of risk management and conduct smooth business operations.
- Climate-related risks are integrated into the company-wide risk management system and processes, annual identification of risk factors, including climate-change factors, is conducted, response measures by the assigned department are discussed, and comprehensive evaluation is carried out. The comprehensive evaluation results and other matters are discussed by the Board of Directors through the Management Committee one or more times a year, and the Board of Directors supervises company-wide risk management and its execution status.

Reference: Risk Management...P.41

**4 Metrics and targets**

- Energy sales volumes and environmental action goals set in the Medium-Term Management Plan and elsewhere are used as metrics and targets.
- Progress relating to these metrics and targets is discussed by the Board of Directors through the Management Committee and the Board of Directors supervises the execution status.

Reference: Value Creation Process...P.19-P.20, Environmental Action Goals...P.26, Global Warming Countermeasures...P.27-P.28, Corporate Governance...P.39-P.40

**● Main external scenarios used in scenario analysis****International Energy Agency (IEA)****World Energy Outlook**

- NZE scenario
- STEPS scenario

**Energy Technology Perspectives**

- B2DS scenario
- RTS scenario

**Intergovernmental Panel on Climate Change (IPCC)**

- RCP2.6 scenario
- RCP8.5 scenario

**● Major Risks Accompanying Climate Change**

Risks having comparatively large financial impact

Scenarios and external environment				Short- to medium-term (through 2030)	Medium- to long-term (through 2050)
Under-2°C scenario	Transition risks	Technology	Progress of decarbonization innovation	• Transition to renewable energy through the development of technology	• Lagging behind in competitive ability due to delays in the development of decarbonization technology for non-renewable energy sources
		Policies and regulation	Carbon pricing	• Increased sales price of natural gas due to carbon pricing	• Decline in international competitiveness of domestic companies due to relative increase in tax
			Transition to renewable energy	• Transition to renewable energy and a general shift to electrification	• Advancement of energy-saving and shift to electrification in the area of heating
		Market	Change in customer preferences	• Decrease in thermal demand for commercial use due to electrification of passenger cars • Shift toward electrification due to the adoption of standard specifications for the new formation of ZEH/ZEB	• Decrease in thermal demand for commercial use due to electrification of all vehicles • Further shift toward electrification due to the adoption ZEH/ZEB
4°C scenario	Physical risks	Reputation	Assessment by investors	• Lower assessment of companies that are passive with respect to decarbonization	• Even lower assessment of companies that are passive with respect to decarbonization
		Acute	Increasing weather intensity	• Gradual increases in countermeasure expenses related to production and supply equipment and facilities • Gradual increases in disaster-recovery costs	• Further increases in countermeasure expenses related to production and supply equipment and facilities • Further increases in disaster-recovery costs
		Chronic	Rising temperatures	• Reductions in demand for heaters and water heaters • Strain on electrical power transmission at peak periods attendant upon expanded air-conditioning demand	• Further reductions in demand for heaters and water heaters • Further strain on electrical power transmission at peak periods attendant upon expanded air-conditioning demand

**● Major Opportunities Accompanying Climate Change**

Opportunities having comparatively large financial impact

Scenarios and external environment				Short- to medium-term (through 2030)	Medium- to long-term (through 2050)
Under-2°C scenario	Transition risks	Technology	Progress of decarbonization innovation	• Wider use of technology for energy conservation and advanced and high-efficiency use of energy	• Establishment and wider use of decarbonization technology (methanation, carbon recycling, hydrogen usage)
		Policies and regulation	Carbon pricing	• Expansion of gas demand through fuel switching and advanced utilization	• Expansion of use of carbon neutral energy by domestic businesses due to the establishment of suitable taxation and systems
			Transition to renewable energy	• Expansion of use of renewable energy sources and batteries • Supplementation of renewable energy and wider use of cogeneration that contributes to improved resilience	• Establishment of optimal energy-mix solutions through decarbonization technology for electrical power and gas, in addition to wider use of renewable energy and batteries
		Market	Change in customer preferences	• Wider use of fuel-cell passenger cars and compact specialized vehicles (forklifts, etc.) accompanying improvement of the infrastructure for hydrogen • Increased need for optimized utilization and advanced utilization (resource aggregation) of energy, including for heating and electricity	• Expansion of the market for passenger cars, buses, cargo vehicles, and other fuel-cell vehicles accompanying the expanded spread of the hydrogen infrastructure • Energy supply and demand will be optimized through bidirectional power flexibility involving individuals and through the practice of local production for local consumption
4°C scenario	Physical risks	Reputation	Assessment by investors	• Higher assessment of energy companies that are proactive with respect to decarbonization	• Even higher assessment of energy companies that are proactive with respect to decarbonization
		Acute	Increasing weather intensity	• Increase in demand for a high-resilience supply infrastructure • Increased need for energy systems providing convenience and resilience	• Further increase in demand for a high-resilience supply infrastructure • Further increase in need for energy systems providing convenience and resilience
		Chronic	Rising temperatures	• Expansion of demand for air conditioners and increase in demand for high-efficiency air conditioning • Increase in demand for products and services that contribute to peak-cut control for electricity	• Further expansion of demand for air conditioners and increase in demand for high-efficiency air conditioning • Further expansion of the spread of products and services that contribute to peak-cut control for electricity

**● Major Responses Addressing Climate Change**

Scenarios and external environment				Main responses
Under-2°C scenario	Transition risks			• CO <sub>2</sub> separation and capture, methanation (synthetic methane) and other technological developments leading to decarbonization of gas itself • Building the Chita Midoriham Factory-based hydrogen supply chain and increased use of hydrogen in the future • Expansion and use of renewable energy power sources, expansion of power services leading to low-carbonized/decarbonized electricity
4°C scenario	Physical risks	Acute	Increasing weather intensity	• High-tide countermeasures such as reinforcement of protective embankments, flooding countermeasures such as water-tightening, and expediting disaster recovery through segmentation of supply blocks and the like • Wider use of energy systems offering high energy savings, convenience and resilience (cogeneration and smart towns)
		Chronic	Rising temperatures	• Provision of advanced utilization of energy and energy savings with respect to increase in demand for air conditioning accompanying rising temperatures • Peak-cut control for electricity through resource aggregation (demand response [DR], virtual power plants [VPPs], etc.) and advanced utilization of gas



Toho Gas Group 2050 Carbon Neutrality Initiative  
[https://www.tohogas.co.jp/lang/en/corporate/  
company-vision/pdf/carbon-neutrality-initiative.  
pdf#page=3](https://www.tohogas.co.jp/lang/en/corporate/company-vision/pdf/carbon-neutrality-initiative.pdf#page=3)



# Environmental Management



● For details, please visit the ESG site  
<https://www.tohogas.co.jp/lang/en/approach/eco/environment/eco-01/>

## Basic Concept

Toho Gas Group has set its Environmental Action Principles and Environmental Action Guidelines to help the realization of a sustainable society, including carbon neutrality. Having set environmental action goals, we are engaging in a wide range of environmental actions, including global warming countermeasures, resource recycling, and making an environmental social contribution in cooperation with the region. Furthermore, in addition to engaging in compliance with environmental laws and environmental education by constructing Environmental Management Systems, we are managing the progress of initiatives through a PDCA cycle.

## Environmental Action Principles and Environmental Action Guidelines

The Environmental Action Principles (established in 1993; final revision in 2022) are regarded at Toho Gas's business policy.

### Environmental Action Principles

- **Basic Policy** Toho Gas and its Group companies recognize the importance of preserving the environment on a regional and global basis. The Group contributes to the realization of a sustainable society through the resolution of social issues relating to the environment.
- **Principles**
  - Principle 1** The Group will contribute to reducing the impacts of its business activities on the environment related to customers.
  - Principle 2** The Group will reduce the impacts of its business activities on the overall environment.
  - Principle 3** The Group will contribute to environmental preservation in collaboration with local communities and the global community.
  - Principle 4** The Group will step up research and development regarding environmental preservation technologies.

Our Environmental Action Guidelines (established in 2011 and revised in 2022) set out the concept and content of key environmental activities that the Group is engaged in.

### Environmental Action Guidelines

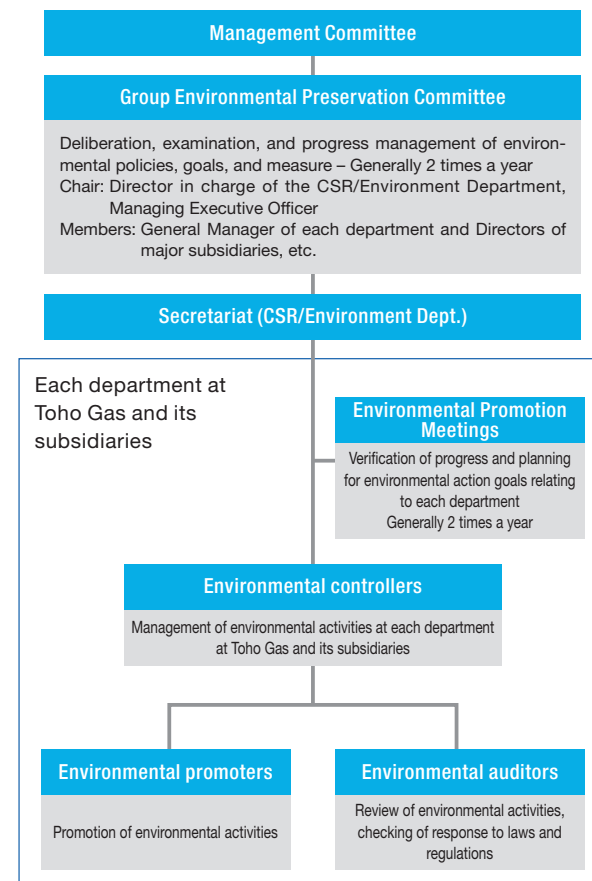
- **Global Warming Countermeasures** The Group aims to achieve carbon neutrality in the entire supply chain through the expansion, highly-efficient use, and high-degree application of environmentally-friendly energy, including natural gas, and the utilization of renewable energy and the decarbonization of gas itself.
- **Resource Recycling** The Group will promote the effective use of resources in each stage of business activities and reduce, reuse and recycle waste to minimize external emissions.
- **Biodiversity Conservation** The Group recognizes the importance of biodiversity, which is the foundation of society and the economy, and will work to grasp and analyze the impact of business activities on biodiversity as well as promoting biodiversity-friendly activities.
- **Environmental Social Contribution** The Group will contribute to the resolution of social issues by participating in environmental activities/projects in collaboration with local communities and the global community.
- **Technology Development** The Group will promote technology development toward realizing carbon neutrality, such as the highly-efficient and high-degree application of energy, the use of hydrogen and renewable energy, the capture and separation of CO<sub>2</sub> and methanation.
- **Environmental Management** Recognizing the impact of its business activities on the overall environment, the Group will rigorously enforce environmental management, and develop human resources who are environmentally conscious and can act on their own initiative. We comply with the demands of laws, ordinances and agreements relating to the environment.

## Organizational Structure for Management of Environmental Preservation

We have set up the Group Environmental Preservation Board, consisting of Toho Gas and its major subsidiaries. The committee aims to reduce impacts of Group activities on the environment and promote the Group's compliance with laws and regulations related to environmental preservation. Specifically, the committee is designed to formulate the Group's basic policy on environmental preservation activities while setting goals regarding such activities. It is also intended to discuss and study measures aimed at achieving these goals, and manage implementation of the measures.

Regarding environmental action goals, we have established Environmental Promotion Meetings in each department to verify progress and planning in conjunction with the Group Environmental Preservation Board. We deploy staff to handle environmental affairs at each department of Toho Gas and its subsidiaries. "Environmental promoters" are tasked with undertaking specific environmental activities. "Environmental auditors" are in charge of reviewing what has been achieved through environmental preservation activities and checking if these activities are consistent with relevant regulations. "Environmental controllers" are assigned to control the activities of the "environmental promoters" and "environmental auditors."

### ● Organizational Structure for Management of Environmental Preservation



## Environmental Management System (EMS) Certification

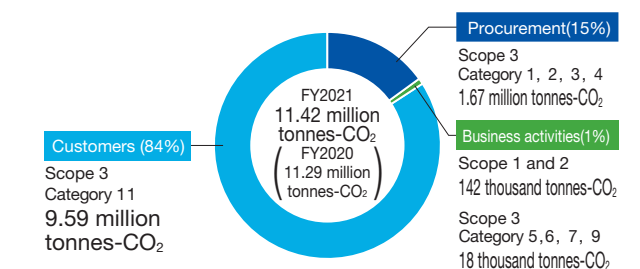
We are working proactively to acquire EMS certification to enhance its environmental management. We have obtained the ISO 14001 certification at all city gas plants. Some subsidiaries have obtained Eco Action 21 certification from Japan's Ministry of the Environment. In addition, Toho Gas and its subsidiaries have also gained environmental certification from local authorities, such as Nagoya SDGs Green Partners.

Types	Certified companies (offices)
ISO 14001	Toho Gas (Chita-Midorihama Works, Chita LNG Terminal, Chita Calorific Value Adjustment Center, Yokkaichi Works)
Eco Action 21	Toho Gas Engineering Co., Ltd.
Certification programs of municipalities	Toho Gas (Head office, Minato AQUUS Energy Center, etc.) Toho Real Estate Co., Ltd. (Imaiki Gas Building, etc.) Toho Liquefied Gas Co., Ltd. (Nagoya branch office, etc.) Toho Gas Techno Co., Ltd. (Head office, etc.) Toho Gas Engineering Co., Ltd.

## Environmental Load of the Value Chain

We strive to recognize and reduce the environmental load generated through its business activities and in the value chain, including energy resource procurement sources, and city gas, LPG, and electrical power customers.

### ● Greenhouse gas emissions (CO<sub>2</sub> equivalent) in the value chain



\* Includes methane, fluorocarbons and other non-CO<sub>2</sub> greenhouse gas emissions. Detailed data is in ESG Data.

- [Scope 1] Direct emissions by business operator
- [Scope 2] Indirect emissions accompanying use of electricity and heat supplied by other companies
- [Scope 3] Indirect emissions other than Scope 1 and 2 (Emissions of others related to business activities of the operator)



● ESG Data Environmental Data 2022  
<https://www.tohogas.co.jp/lang/en/approach/eco/eco-10/environmentdata.pdf>

## Environmental Action Goals

The final year for the Environmental Action Goals was FY2021. All of the items were achieved due to the promotion of performance follow-ups, all kinds of energy-saving and resource recycling through the Group Environmental Preservation Committee and the Environmental Promotion Meetings.

Also, in line with the Toho Gas Group Medium-Term Management Plan 2022-2025 published in March 2022, new Environmental Action Goals (FY2022-FY2025) have been set, as follows.



● Environmental Action Goals (FY2019-FY2021)  
<https://www.tohogas.co.jp/lang/en/approach/eco/environment/eco-01/#a06>

### ● Environmental Action Goals (FY2022-FY2025)

Type	Goal item	FY2030 target value
Environmental load reduction	Global Warming Countermeasures	
	Amount of contribution to CO <sub>2</sub> reduction	-1 million tonnes compared to FY2020
	Amount handled of renewable energy power sources	250 thousand kW
	Reduction of CO <sub>2</sub> emissions in business activities	-2% CO <sub>2</sub> emissions intensity/year
	Resource Recycling	
	Zero emissions of industrial waste at city gas plants	Maintain (1% or lower final disposal rate)
	Recycling rate of waste generated after gas pipeline construction	99% or more
	Promoting "3R" (reduce, reuse, and recycle) through business activities	
Biodiversity Conservation		Habitat conservation through reduction in use of natural mountain sand and detritus in gas pipeline construction 15% or lower compared to conventional engineering methods
Biodiversity Conservation		Sustenance and recovery of biodiversity through business activities and regional contribution activities, satoyama and forest conservation, and contribution to protection of local species
Environmental Social Contribution		Environment social contribution activities in collaboration with local communities, and contribution to resolution of regional and social issues
Technology Development		Advanced use of energy and promotion of technical development for achieving carbon neutrality



## ESG Highlights [Environment]

## Global Warming Countermeasures



● For details, please visit the ESG site  
<https://www.tohogas.co.jp/lang/en/approach/eco/environment/eco-03/>

## Basic Concept

Global Warming Countermeasures are an important management issue for the Toho Gas Group. As an energy business operator, Toho Gas Group is implementing countermeasures against global warming taking into consideration the value chain.

In addition to reducing our CO<sub>2</sub> emissions, we have set Environmental Action Goals toward reducing CO<sub>2</sub> emissions by customers. We are also aiming for the achievement of carbon neutrality by 2050 by promoting a wide range of initiatives, including the supply and switchover to environmentally-friendly energy sources from other energy sources, the wider use of advanced and high-efficiency equipment, including fuel cells, the promotion of renewable energy in conjunction with regions, and technological developments and tests, such as methanation and CO<sub>2</sub> separation, capture and use.

Reduction of CO<sub>2</sub> Emissions at Customers

The Toho Gas Group has promoted efforts aimed at reducing cumulative CO<sub>2</sub> emissions amounts at customer locations by 600 thousand tonnes in FY2109 through FY2021. As a result, the goal was achieved, with cumulative CO<sub>2</sub> emissions reduction across the three-year period reaching 631 thousand tonnes. The new Environmental Action Goal for FY2025 is to contribute to reducing CO<sub>2</sub> by 1 million tonnes compared to FY2020, and we are continuing to promote initiatives toward that goal.

## Switching fuel types for thermal demand

The Chubu area is a prominent industrial region where Toho Gas is contributing to low carbonization by switching from coal and petroleum used in high-temperature thermal applications to city gas.

## Example of Implementation Daio Paper Corporation

The issue for paper corporations that have pulp manufacturing equipment with regard to reducing CO<sub>2</sub> emissions is that heavy oils are used in lime-fired kilns.\*

Although heavy oils are used at our Kani Plant, we are now taking the lead in the paper industry by switching over from heavy oils to city gas. Not only does this reduce CO<sub>2</sub> emissions but also it simplifies operation.

\* Equipment that reuses the lime used in kraft pulp manufacturing processes for combustion

Customer  
feedback

Overview of lime-fired kiln

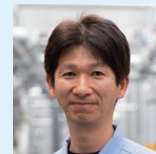
Combustion part

## Gas cogeneration systems

Power is generated via the gas engine and gas turbine, while the gas cogeneration system that collects the waste heat contributes to the improvement of power security, a reduction in the environmental load, and BCP.

## Example of Implementation Kasugai Seika Co., Ltd.

A cogeneration system was installed at the Kasugai Plant because it was estimated that the transforming equipment would be unable to handle the increased use of electricity due to the addition of equipment. After installing the cogeneration system, we have been able to level off purchased electricity over the course of the year. Using the steam generated by the cogeneration system in production processes is obviously useful for energy-saving but also in summer it helps to improve the work environment, as cool air circulates through the production site due to the use of cold water.

Customer  
feedback

Cogeneration system

## Steam and hot water boilers

City gas boilers have become popular in a broad range of varied areas, enjoying use in healthcare facilities, linen laundering, bathing facilities, and factories. They offer excellent energy-saving performance compared to conventional oil-burning boilers thanks to high combustion efficiency and high-efficiency operation matched to the load.

## Example of Implementation Wonder Nagoya Co., Ltd.

Previously, the soot generated by the heavily-used oil-fired boiler caused trouble for people living in the area. The decision was made to purchase a city gas-fired boiler with a view toward environmental improvement and increased efficiency. Upon actually using it, the temperature near the boiler decreased, there wasn't as much noise, and the smoke was no longer an issue. We particularly like the ability to switch between high- and low-combustion.

Customer  
feedback

City gas boiler

Reduction of CO<sub>2</sub> in Business Activities

As an energy operator, the Toho Gas Group promotes effort with consideration given to energy savings in all aspects of business activities. Group-wide CO<sub>2</sub> emissions in our business activities in FY2021 reached about 141 thousand tonnes-CO<sub>2</sub>. In every area of business, we set goals for preventing global warming, and to reach them, promote energy savings through investment in energy-saving equipment and thoroughgoing operation control. As a result, in class evaluation according to the Act on the Rationalization, Etc., of Energy Use, we continue to receive a ranking of "S" class (excellent business operator).

## Initiatives at City Gas Plants

City gas plants use a manufacturing method of extremely high energy efficiency during manufacturing, in which vaporized gas is manufactured by heat exchange using seawater of liquid natural gas (LNG) at a temperature of around -160°C. Efficient utilization of the cold energy of LNG is made in supplying cold energy, manufacturing dry ice and liquid nitrogen in adjacent plants, and in advanced energy-saving equipment that reliquesfies the BOG (boil-off gas) produced in LNG tanks. In addition to these initiatives, pipelines built as back-ups between plants and to adjust inventory, for example, are also used to adjust the amount of gas sent to new plants as part of our efforts to further reduce the amount of energy used by reviewing operation methods for the overall optimization of operation methods at all LNG plants.

## Initiatives in District Heating and Cooling (Energy Centers)

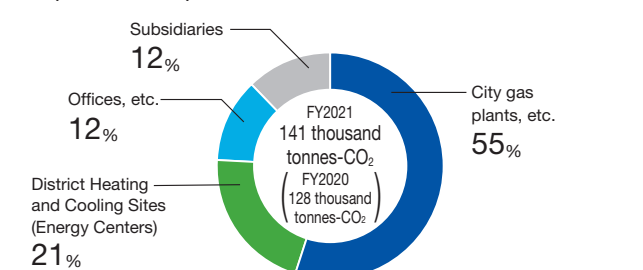
In district heating and cooling, we aim to achieve low carbon and decarbonization for entire neighborhoods by supplying hot water and thermal energy (cold energy and heat) for heating and cooling to multiple buildings within an area and optimally operating equipment. We conduct heat-supply business in ten areas that Toho Gas operates directly and six areas in which we are invested in operations, mainly in the City of Nagoya.

At the Minato AQUUS Energy Center, which is an example of the latest district heating and cooling, we are optimizing energy for the entire town by means of a community energy management system (CEMS) that utilizes exhaust heat during power generation and the unused energy of canal water in addition to distributed power sources that include gas cogeneration offering high overall efficiency, renewable energy, and storage batteries. Further, all condominium units in the area are installed with ENE FARM type S in rated operation around the clock as standard equipment, with excess power used town-wide. In this way, we are promoting local production and local consumption of energy.

## Initiatives in Offices, etc.

In our offices, for example, we are striving to reduce CO<sub>2</sub> through various energy-saving countermeasures, including the introduction of highly efficient gas air conditioning and other energy-saving equipment, as well as low-emission vehicles. As a countermeasure against the additional burden from the use of air-conditioning in preventing COVID-19, we will continue to limit the additional use of energy by extending the period of interim air-conditioning shutdown. As energy-saving measures, we are pressing ahead with a changeover to LED lighting. From FY2021 onwards, when adopting LED lighting, we have been trialing internal carbon pricing and evaluating the number of years to recoup investment, including CO<sub>2</sub>-saving effectiveness, using a carbon price of \$63 per ton.\*

\* The price set in the 2025 Sustainable Development Scenario (SDS) in the International Energy Agency (IEA) World Energy Outlook 2020

● CO<sub>2</sub> Emissions in Business Activities (Consolidated)

第三者保証



## Resource Recycling



● For details, please visit the ESG site  
<https://www.tohogas.co.jp/lang/en/approach/eco/environment/eco-04/>

## Basic Concept

Due to the increase in resource usage amounts caused by the rise in the global population and economic growth, there are concerns that problems such as depletion of water and other natural resources and marine pollution by waste materials will become more serious.

Based on the Environmental Action Principles and Environmental Action Guidelines, Toho Gas Group has set Environmental Action Goals in the area of Resource Recycling, and is promoting the 3R (reduce, reuse and recycle) toward the reduced consumption of natural resources and the effective use of recycled resources through efforts that include zero emissions from industrial waste at city gas plants, recycling the waste generated from gas pipeline work, and the promotion of paperless business.

## Initiatives to Reduce Waste Materials and to Reduce Resource Usage Amounts in our Business Activities

Industrial waste at city gas plants  
Toward the achievement of zero emissions

At city gas plants, we have been working since FY2008 to achieve zero emissions (a final disposal rate for waste materials of 3% or lower), and since FY2019, we have been continuing our efforts at a more ambitious target of a final disposal rate of 1% or lower.

For waste materials at plants, recycling of the sludge and mixed waste materials at seawater intake ports is an issue, and these account for 80% of the final disposal rate. For this sludge, we turned our attention to “graded recycling,” which creates stable fluidization treatment soil by separating sludge by grain size into slurry, sand, silt, and cohesive soil and recompounding, thereby making 100% recycling possible, together with continuing sorting and recycling of mixed waste materials. In this way, in FY2019 and FY2020 we achieved zero emissions.

## Recycling of Industrial Waste Materials Produced in Gas Pipeline Construction and Reduction of Amount of Natural Mountain Sand Used

Gas pipeline construction generates industrial waste in the form of asphalt and concrete lumps, which is classified as rubble, and used polyethylene pipes, which is classified as waste plastic.

In an effort to limit asphalt concrete lumps and excavated soil, we have introduced shallow-layer pipe installation<sup>\*1</sup>, the trenchless pipe installation method<sup>\*2</sup> and the pipe rehabilitation and repair construction and installation method<sup>\*3</sup>, and promoted the use of temporary

filling material<sup>\*4</sup> in construction requiring re-excavation. In FY2021, we reduced the amount of waste generated by 28% compared with conventional construction methods.

For asphalt and concrete lumps, almost the entire amount is recycled into reclaimed asphalt mixture (paving material). By treating the excavated soil at the Soil Modification Centers and recycling it for use as backfill soil in pipeline construction, we have reduced the amount of excavated soil externally disposed of by 75% compared with conventional methods. Combined with the use of reclaimed detritus, we reduced the amounts of natural mountain sand and detritus used in pipeline construction by 9.4% compared with conventional methods.

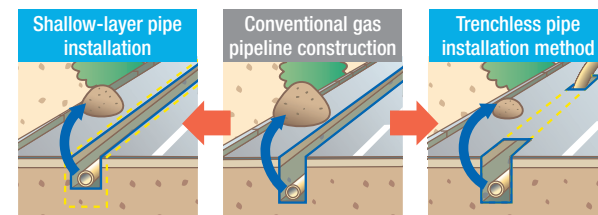
Used polyethylene piping is recycled into materials to secure gas pipeline, materials used in clear files, and filler materials for asphalt compounds. As a result, the recycling rate for industrial waste materials generated by pipeline construction has reached 99.9%.

<sup>\*1</sup> Refers to burying a gas pipeline in a roadway at approximately half the conventional depth. This greatly reduces the amount of soil generated by roadway excavation and the amount of backfill soil and is connected to reducing environmental impact, together with shortening work times

<sup>\*2</sup> Construction method of drilling at both ends of the construction area and pulling the gas pipe underground

<sup>\*3</sup> Construction method for repairing and renewing gas pipe from the inside

<sup>\*4</sup> Polystyrene blocks used as temporary backfill



## Recycling used gas equipment

The Toho Gas Group has organized a system to collect used gas equipment and packing materials from customers, facilitating efficient resource recycling. In FY2021, this resulted in collection of 879.3 tonnes of used equipment and 36.4 tonnes of packing material. Results for recycling of resources subject to the Containers and Packaging Recycling Act were 4.7 tonnes of plastic containers and packaging and 0.8 tonnes of paper.

We also recovered refrigerant fluorocarbons generated during maintenance and renewal of commercial air conditioning equipment. In FY2021, all of the fluorocarbons were recovered from the target equipment and processed appropriately (1,330 units, with 15.1 tonnes of fluorocarbons recovered).



Trenchless pipe installation method

## Biodiversity Conservation



● For details, please visit the ESG site  
<https://www.tohogas.co.jp/lang/en/approach/eco/environment/eco-05/>

## Basic Concept

Our daily lives and business activities are supported by the natural resources, and if the biodiversity that is its basis is lost, the lives of people and company sustainability will be impacted in a major way.

Conservation of regional ecosystems is regarded as a critical issue affecting the Group's continuing development, and we are promoting activities with consideration for biodiversity, including the establishment and maintenance of biotopes, forest conservation, and other activities.

## Initiatives in Business Activities

In our business activities, we devote effort to such moves as conservation of region ecosystems through the establishment of biotopes. In gas pipeline construction, we strive to protect habitats through minimizing the amounts of natural mountain sand and detritus used.

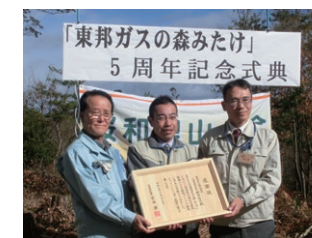
## Biotope Establishment

In 2000, we established a 7,500-m<sup>2</sup> biotope at the Chita-Midorihamma Works, and in 2010 we established the 600-m<sup>2</sup> Biotope Place at the Gas Energy Exhibition Hall. We also installed an 800-m<sup>2</sup> biotope at Group-incepted Minato AQUUS in 2018. In this way, we are working to conserve ecosystems, including rare local species, and to nurture endemic species. We are also having surveys of plant and animal species conducted by professional contractors.

## SDG Contribution Activities in Local Communities

In local communities, we are engaging in such efforts as forest-conservation activities in Toho Gas Forests and in satoyama – natural woodlands that coexist with nearby populated areas – as well as biodiversity education programs for the coming generation.

Activity	Cooperating partner	Description
Toho Gas Forests	Aichi Forest Office, Mitake Town in Gifu Prefecture, Odai Town in Mie Prefecture, Local Forest Associations	Tree planting, trimming, and clearing by Group employees and their families in Toho Gas Forests (5-year anniversary of opening of Odai and Mitake in FY2021).
Satoyama Conservation	Nagoya Higashiyama Forest Conservation Group	In Higashiyama Forest in the City of Nagoya, which Japan's Ministry of the Environment has selected as an important satochi-satoyama with respect to biodiversity cooperation, we took part in satoyama conservation including thinning and the like.
Education on Biodiversity	Nagoya Open University of the Environment Center for Environmental Creative Studies	We held biodiversity lectures for parents and children and senior high school students using the Biotope Place at the Gas Energy Exhibition Hall.
Environment Day Nagoya	Nagoya City	Ouchi de (“at Home”) Environment Day Nagoya 2021 video submission (held online).
Hana-ippai (“Many Flowers”) Project	City of Nagoya Higashiyama Botanical Gardens	Volunteer employees and their families planted flower seedlings in corporate flower beds in the Botanical Gardens.
Osampo de Ikimono Mikke (“Discover Living Creatures While Walking”)	Aichi Prefecture, Forest Nature School	Collaborated in environmental events on the theme of encountering nature hosted since 2011 at Expo Memorial Park.
Cleanup Activities (Local Cleanup Projects)	Individual Offices, Local Governments etc.	Individual offices implemented cleanup activities (local cleanup projects) primarily in Environment Month in June.



Toho Gas Forests Mitake Ceremony to Receive Letter of Gratitude



Higashiyama Forest Satoyama Conservation



Biotope Biodiversity Lecture



Osampo de Ikimono Mikke (“Discover Living Creatures While Walking”)



# Contribution to the Local Communities



For details, please visit the ESG site  
<https://www.tohogas.co.jp/lang/en/approach/eco/social/soc-01/>

## Basic Concept

The Toho Gas Group is engaged in coexistence with local communities through the regional electricity business and community development, chiefly in the three Tokai prefectures (Aichi, Gifu, and Mie). In addition to this, the Group is actively engaged in making contributions to regions through education regarding the SDGs for the next generation, and also by taking part in cultural activities and other events.

## Initiatives for Coexistence with Local Communities

### Contributing to the Regional Community Through Minato AQULS

Minato AQULS is replete with water and greenery and it creates a space that harmonized with the environment primarily for pedestrians to enjoy walking. Since its opening in September 2018, it has received many visitors. The development concept was “to be a town that fosters connections among people, the environment and the region” in order to resolve social issues in the region.

At Minato AQULS, energy supply and demand within the area is centrally managed, thereby achieving a 67% reduction in CO<sub>2</sub> emissions compared with 1990 (target value: 60%). In Phase II Development, the goal will be adjusted upward from low-carbonization to decarbonization, and various technologies will be introduced to achieve carbon neutrality at an early stage and to improve the quality of life. Nagoya City and Toho Gas were selected in the MoE's Decarbonization Leading Areas (First Round) for the “Carbon neutral compact city model to be realized at redevelopment area” at Minato AQULS. Toho Gas will accelerate its effort together with Nagoya city to make a model for decarbonization that contributes to regional creation by providing a higher quality of life and enhancing the attractiveness of the area while resolving regional issues and introducing new technologies to make the utmost use of renewable energy sources in Minato AQULS.



## TOPIC

### Energy Conservation Grand Prize 2021 Agency for Natural Resources and Energy Chairperson's Prize Award (Joint Implementation)

A total of 7 companies, including Toho Gas Co., Ltd. and Toho Real Estate Co., Ltd. were awarded the Agency for Natural Resources and Energy Chairperson's Prize (Joint Implementation) in the field of energy conservation business in the Energy Conservation Grand Prize 2021 held by the Energy Conservation Center, Japan.



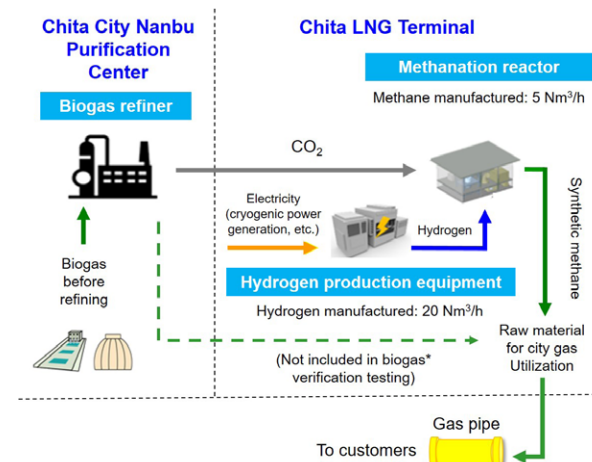
This award recognizes the fact that energy consumption decreased by 38% and CO<sub>2</sub> emissions dropped 65% in comparison to 1990 due to the use of advanced energy systems in the Minato AQULS smart town and by engaging in energy conservation jointly with energy suppliers and consumers.

### Methanation technology trials in conjunction with local governments

In conjunction with Chita City in Aichi, a trial was launched for methanation technology<sup>\*1</sup> using CO<sub>2</sub> derived from biogas. This trial created synthetic methane for use as the raw material for city gas from CO<sub>2</sub> derived from biogas produced from wastewater treatment at the Chita City Nanbu Purification Center and hydrogen manufactured using energy from cold power generation<sup>\*2</sup> from our Chita LNG Terminal. This is the first trial in Japan to use synthetic methane produced by methanation as the raw material for city gas, and it also contributes to the effective use of regional resources. In the future, the aim is the decarbonization of gas itself by means of the large-scale social implementation of methanation equipment.

<sup>\*1</sup> Technology for synthesizing methane, etc. which is the main compound in city gas using hydrogen and CO<sub>2</sub>

<sup>\*2</sup> Power generation system using the cooling from LNG

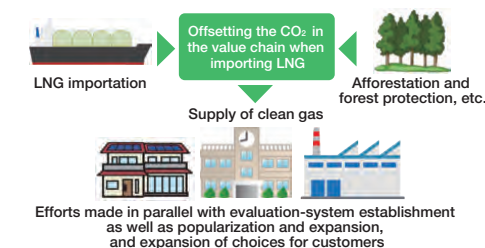


### Supply of carbon neutral city gas to public facilities

For the first time among local governments in the three prefectures in the Tokai region, the supply of carbon neutral city gas\* to 38 public facilities commenced in Kuwana City in Mie.



Ceremony for Presentation of Supply Certificate at Kuwana City Hall in July 2022



\* The greenhouse gas emitted in all of the processes from the excavation of the natural gas through to combustion is offset by means CO<sub>2</sub> credits (carbon offsetting) and, even if it is burned, on a global scale, it is viewed as if no CO<sub>2</sub> was emitted.

## TOPIC

### Study toward the construction of a model for the effective use of regional hydrogen mainly in the Port of Nagoya

Having been nominated for a NEDO study project,\* together with Toyota Tsusho Corporation, Toyota Industries Corporation, NAGOYA-YOKKAICHI INTERNATIONAL PORT CORPORATION and Japan Environment Systems Co., Ltd., a study toward the construction of a model for the effective use of regional hydrogen mainly in the Port of Nagoya commenced in January 2022. This study will clarify the feasibility of fuel cell usage and the necessary hydrogen infrastructure for port loading facilities, mobility and more toward the decarbonization of the Port of Nagoya and the surrounding area.

Toho Gas is utilizing its expertise and know-how acquired through hydrogen-related business, including hydrogen production and hydrogen stations, to conduct studies of optimal hydrogen supply infrastructure in the target region.

\* New Energy and Industrial Technology Development Organization (NEDO) Development of Technologies for Realizing a Hydrogen Society/ Regional Hydrogen Utilization Technology Development

### Regional Revitalization Through Regional Electricity Business

The Toho Gas Group works to collaborate with local governments and other entities and contribute to the

regions by promoting local production (or sourcing) and making active use of the profits generated through business activities. Matsusaka Shin-denryoku Co., Ltd. established jointly with Matsusaka City, and Okazaki Sakura Electric Power Co., Inc., established jointly with Okazaki City are supplying electrical power to public facilities mainly using power generated at trash processing facilities and other locations.

In order for business profits to be used effectively for regional activation, in FY2021, a donation of 21 million yen was made to Matsusaka City from the business profits of Matsusaka Shin-denryoku Co., Ltd.



Donation presentation ceremony at Matsusaka City Hall in January 2022  
 (Image: Chunichi Shimbun)

## TOPIC

### Registration as Miyoshi City SDG Promotion Partner

Having applied to the SDGs Promotion Partner system operated by Miyoshi City, 29 companies and organizations including Toho Gas have been registered as SDG Promotion Partners.

From now on, alongside Miyoshi City, we will promote initiatives toward the realization of sustainable cities.



### Expansion of Green Garden Activities

We have been working to expand energy-saving Green Gardens since 2014 by planning to control rising temperatures in buildings using plants.

In FY2021, 500 bitter melon seedlings and 1,120 plants were donated to Nagoya City, which were handed out to local people in each ward at local events such as Environment Day Nagoya.



## Contribution to the Local Communities

### Protection Activities for Children and the Elderly

In order to prevent crimes against children, we have been engaging in child protection activities in collaboration with ENEDO service shops and construction companies. Toho Gas has designated approximately 200 bases including our offices as "Children's Refuge Center" to use them as a shelter for children in danger. In addition, approx. 2,200 vehicles of the Group bear a "Children's Crime Prevention Patrol Support Vehicle" sticker.

Also, Toho Gas and Toho Gas Customer Service Co., Ltd. entered into an agreement with local governments to cooperate in protection activities for the elderly as we work together toward creating local communities where the elderly can live in peace.

### SDG Education for the Next Generation

#### Activities Supporting Education in Schools

Toho Gas Network Co., Ltd. has conducted special classes to teach children who will lead the next generation about energy, environment and food. In FY2021, while implementing thorough countermeasures against the spread of COVID-19 together with schools, we conducted programs such as "The Global Environment and Natural Gas" 22 times at 11 schools. We have also started engaging in collaborative activities with local groups and corporations.

#### Environmental Learning at the Gas Energy Exhibition Hall

At the Gas Energy Exhibition Hall managed by Toho Gas, we provide students in elementary and junior high schools an opportunity to consider the importance of the environment through participatory and experiential exhibits on the topic of the global environment and energy, through which the young people can learn in a fun way. In FY2020, for students unable to visit the Exhibition Hall due to the COVID-19 pandemic, we produced and broadcast a virtual reality (VR) video the like learn about global warming and energy while getting virtual tour of the facility.

We also joined with a local university to remotely host eco-classrooms with the theme of initiatives to reduce food waste.



Remote eco-classroom session

#### Hosting EPOC Environmental Education Classes

Centering on the industrial sector in the Chubu region, we have participated in the Environmental Partnership Club (EPOC) that carries out environmental

load reduction activities beyond the frameworks of industry or business category.

Each company holds a course about the environment utilizing its own special characteristics, and, in FY2021, Toho Gas held a course with the theme of Learning about Biodiversity Through Biotopes.



#### Environmental Dialogs

Environmental Dialogs are held in order to exchange opinions about the Integrated Report and to share information with the objective of increasing the level of joint activities. In FY2021, informal meetings were held with students from Chubu University and from Gifu University, and their opinions were listened to with regard to carbon neutrality initiatives and environmental education courses.

### Contribution Through Culture and Events

#### Kokoro no Ki ("Tree of the Heart") Book Review Contest

Since FY2001, we have held a book review contest for elementary and junior high school students to encourage their enjoyment of reading and to think about the relationship between people and nature. In FY2021, we received 4,947 entries and presented 99 awards, including the Most Moving Award.



#### Baseball Classes and Soft Tennis Classes

Toho Gas's regulation baseball club holds tee-ball\* classes at nursery schools and kindergartens in the local region. The aim of this is increase the number of people who play baseball. The club also continually holds classes for local baseball team.

Toho Gas's soft tennis club devotes effort to sports-promotion activities in the region, including holding tennis classes for elementary and junior high school students at visited schools and on Toho Gas tennis courts.

Both of these activities have been hindered by the impact of COVID-19, but we will continue to give effort.

\* An outdoor sport similar to baseball and softball in which batters swing at a stationary ball placed on a batting tee behind home plate.

## ESG Highlights [Society]

# Enhancement of Communication with Shareholders and Investors

### Basic Concept

We strive to disclose corporate and financial information promptly and appropriately, and to actively engage in communication with shareholders and investors, in order to deepen their understanding of the business and management policy of Toho Gas Group, and to win their long-term support.

### Return to Shareholders

#### Shareholder Return Policy

The basic policy for dividend payouts is to implement a Return to Shareholders of 40-50% of net income in dividends in the medium-to-long term in line with the flexible purchase and retirement of treasury stock

Regarding the Return to Shareholders, based on the above policy, and from a medium- to long-term perspective, we have heretofore paid out 40% to 50% of net income in dividends.

We also paid out 57.5 yen per share as the year-end dividend for the full year ending March 31, 2022, which is an increase of 2.5 yen. We expect to pay 60.0 yen per share as the year-end dividend for the full year ending March 31, 2023. Also, treasury stock (approx. 1.6 billion yen) was acquired during the term ending March 31, 2022.

#### Annual Shareholders Meeting

Toho Gas positions its annual shareholders meeting as an important opportunity for communicating with all of our shareholders and strives to increase the level of understanding with regard to the company.

At the annual shareholders meeting for the year ended March 31, 2022, to prevent the spread of COVID-19 infections, we asked shareholders to exercise their shareholder voting rights in advance, uploaded a video explaining reported matters to the Toho Gas website ahead of time, accepted questions in writing or by e-mail, posted the responses after the annual meetings, and took other measures to ensure opportunities for dialog.

#### Communication with Individual Investors

As an energy company with strong roots in the local communities, Toho Gas would like to enjoy support over the long term from as many people as possible – not just as customers, but as shareholders as well. In FY2021, in addition to directly communicating with shareholders, we actively conducted online company briefing seminars and made streamed briefing seminars over the Internet.

#### ● FY2021 results

Online corporate briefing seminars **7**

Total number of participants **2,901**

(Inc. number of online video playback)

#### Communication with Institutional Investors

We hold briefing sessions four times a year for institutional investors and securities analysts, focusing on financial results details. We also conduct meetings separately with about 200 companies a year in total in Japan and abroad, including those for matters grounded on the stewardship code. We also conduct periodic IR activities to deepen understanding of Toho Gas among the members of the financial institutions that are our bond investors. In FY2021, we conducted mainly remote meetings using web-based meeting systems and the like, and also held meetings on the subject of ESG, including carbon neutrality.



Financial Results Briefing

#### ● FY2021 results

Total number of meetings conducted with companies **224**



#### ● Investor Relations

<https://www.tohogas.co.jp/lang-n/en/corporate/>

#### Implementation of the Shareholder Benefit Program

In our Shareholder Benefit Program, Shareholder Benefit Points presented according to the number of shares owned and the term of ownership can be used either in exchange for Tokai region gourmet and luxury items or products from a catalog, including Toho Gas original goods, donated toward social contribution activities, or even used to make payments toward gas and electricity bills.



Examples of goods in the Benefits Catalog



## Human Resource Strategy



● For details, please visit the ESG site  
<https://www.tohogas.co.jp/lang/en/approach/eco/social/soc-03/>

## Basic Concept

We will work to promote personnel management and diversity and to improve job satisfaction and ensure a comfortable working environment in order to increase employee engagement and to achieve individual and organizational growth. When promoting human resource policies, we work to eliminate discrimination based on such matters as race, gender, age, nationality, or disability and to respect human rights.

## ● FY2021 results:

Engagement Rating **BB**

\* Results of engagement survey by Link and Motivation Inc.

## Human Resource Management

Based on the recognition that “people” are the source of the growth of the company, we promote the ever-greater efforts and growth of employees through the employment, training and deployment of personnel with diverse values, and through fair and appropriate evaluations and treatment.

## Human Resource Management Promotion Systems

Under the executive officer in charge of human resources, the Human Resource Department is taking the lead in implementing various policies in conjunction with departments and subsidiaries by enacting Management Policies that are in line with the Management Strategy. The key issues are deliberated by the Management Committee and reported to the Board of Directors.

## Recruitment

We aim to employ persons who think and act for themselves and have a grounding that enables them to open a path to the future. In hiring, we make recruitment information publicly available via such means as the company website and recruitment seminars, and practice fair and unbiased hiring.

● Employment Breakdown<sup>\*1</sup>

		Men	Women
Employee numbers (people)	Non-consolidated	2,237	465
	Consolidated	4,685	1,495
Average age (years old)		42.4	42.0
Average years of service (years)		16.5	19.0
Number of graduate recruits (people) <sup>*2</sup>		59	23
Number of mid-career recruits (people) <sup>*3</sup>		33	
Number of re-hires (people) <sup>*4</sup>		295	
Voluntary turnover rate (%) <sup>*3</sup>		1.50	

<sup>\*1</sup> Data current as of end of March 2022. Full-time employees, not including seconded employees (non-consolidated)

<sup>\*2</sup> Number starting in April 2022 <sup>\*3</sup> Figures for FY2021 <sup>\*4</sup> Including part-time employees

## Human Resource Development

While flexibly responding to environmental changes such as decarbonization and digitalization, in order to develop human resources capable to making reforms, we conduct workplace training (OJT), collective training (OFF-JT), and self-development, which are effectively linked so that each employee can develop his or her capabilities.

	Young employees	Medium-ranked employees	Middle management
Collective training	<b>Job/ Role-Based Training</b>	Second year training, third year training, medium-ranked leader training, etc.	Labor management administrators training, newly appointed chiefs training, etc.
	<b>Elective/ Optional Training</b>	Business skill enhancement training, basic skills enhancement training, interactive training with other industries, DX training, etc.	Strategy Workshops
	<b>Career Formation/ Diversity</b>	Career training for women, Seminar on childcare leave and maternity leave	Diversity training for middle management
Self-development		Career training (ages 30, 40 and 50)	
		Acquisition of official certification	
		Distance education and external training	
OJT		External study abroad, internal certification examination, etc.	-
		On-the-Job training	

## Transfer and Career Formation

Each year, we provide opportunities for employees to talk with their supervisors about their career plan, and these are used to confirm desired transfers and for career formation. We aim to deploy the right people in the right place so that employees can feel motivation and a job satisfaction.

We also support self-starting career formation by employees through study abroad programs, an internal recruitment system, and the like.

Systems	Overview
Development of New Business Ideas Internal recruitment system	Junior and mid-level employees are asked to come up with new business ideas. The inspection team acquires expertise about how to progress from business conceptualizing to realization thanks to external teachers. In FY2021, 34 people in 14 teams made submissions.
Studying at domestic and international universities	Implementation of external dispatch in order to acquire advanced and specialist skills including MBAs, “Digital” and “Business Concepts.”
Overseas language study	Training future international employees by means of online English conversation and brushing-up classes.
Fieldwork in overseas locations	In order to train overseas personnel, employees are dispatched to overseas offices to acquire the business English skills, expertise and know-how that are required in other countries.

## Diversity and Inclusion

With the aims of revitalizing the organization, strengthening competitiveness, and creating innovation, we are working to build an organizational climate to secure and train diverse human resources and to deepen mutual understanding.

Also, we actively appoint women and mid-career employees to managerial positions according to the nature and capacity of the individual.

## ● FY2025 target value:

Number of women in management positions **30**

## ● FY2021 results:

Number of women in management positions **25**  
 (As of March 31, 2021)

## Advancement by Women

In order to promote the advancement of women, we are enhancing the systems relating to better employment and working systems as well as increasing the awareness of employment in management positions.

In terms of employment, we are actively publicizing that the company is a place where women can work comfortably and play an active role, including holding events for female students that are attended by female managerial staff.

In addition to setting up systems for child rearing leave and part-time work that go beyond what is legally required, we permit the use of accrued leave of absence (accumulation of elapsed paid leave) for treatment at fertility clinics and for visits to hospital gynecological departments.

Also, we support career planning for female employees through training for junior and mid-level employees and middle management as well as interaction with internal and external role models in order to promote the career development of female employees.

Ministry of Health, Labour and Welfare  
 “Eruboshi” Certification for superior companies that promote women's advancement



## Advancement of Mid-Career Employees

In order to secure diverse personnel, we offer mid-career employment from a wide range of occupations. We are creating synergy with existing employees by means of assignments and training that make the maximum use of experience and specialisms. 33 mid-career employees were hired in FY2021 (mid-career employment ratio of 29%).

## Advancement by the Elderly

90% or more of retirees are re-employed (FY2021 statistics), and are able to exercise the skills, expertise, and experience they have cultivated over many years.

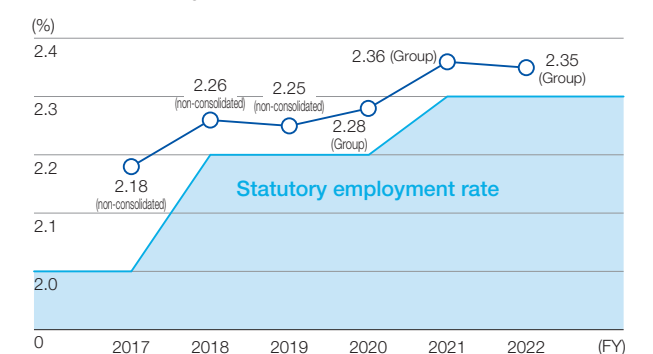
To encourage work motivation and the ability to perform work roles by employees aged 50 years or older, we conduct career planning training for employees aged 50, and for employees at age 55, we hold career lectures and conduct individual interviews. The number of re-employed persons in FY2021 was 295.

## Advancement of Persons with Disabilities

We proactively hire people with disabilities in order to support their independence and social participation. In 2019, we established Toho Flower Co., Ltd. as a special subsidiary with the aim of achieving the legally mandated proportion of jobs for persons with disabilities for the Toho Gas Group overall and contributing to local communities.

As of June 2022, the Toho Gas Group's employment rate of people with disabilities is 2.35%, which meets the statutory employment rate of 2.3%. They are engaged in various work in a number of workplaces. We will continue to strive to expand workplace and occupational options.

## ● Trend of employment of people with disabilities



\* As of June 1 in each respective fiscal year

## Building an organizational climate to deepen mutual understanding

In order to create a corporate culture that is accepting of the diversity of individual employees and to enable individuals to demonstrate their maximum potential, in addition to conducting seminars and workplace meetings to deepen awareness of the significance and aims of promoting diversity, we are developing “Kaeru (change) Meetings” intended to resolve diversity issues in the workplace.

\* “Kaeru Meeting / Change Meeting” refers to a meeting to set the targets (ideal image) for teams, to extract the issues toward achieving that target, and set proposed improvements. \*Registered trademark of Work Life Balance, Ltd.



## Human Resource Strategy

### Improve Ease of Work

We strive to establish a positive workplace environment in order to balance and enrich the work and lives of employees.

#### Promotion of Flexible Work Styles

To enable work to be accomplished autonomously and efficiently, we have introduced a work time system that includes a flextime system, a discretionary labor system, and reduced working hours.

To increase the flexibility of work styles even further, we are augmenting such teleworking systems and working from home and working at satellite offices, together promoting greater use of working online (web conferencing, internal business chats, electronic payment, and the like) so as to enable work styles while teleworking that are unchanged from on-site working.

#### Support for Compatibility with Child-rearing, Caregiving, Recuperation, Etc.

To support compatibility with child-rearing, caregiving, recuperation, and the like, we have introduced a leave system, shorter-hours working system, and rehab on-site working system, and additionally establishing a consultation service staffed by experts.

We have also introduced a special leave system for participation in volunteer activities and an award system for employees who make contributions to local communities. In these and other such ways, we support the work-life balance of our employees.

Ministry of Health, Labour  
and Welfare  
Kurumin next-generation  
certification mark



### Improvement of Productivity

We are promoting greater task efficiency through the utilization of digital tools (such as the adoption of robotic process automation [RPA] and chat bots for internal queries) and the revision of task processes.

To help prevent long working hours, we comply strictly with the Agreement on Off-hours Work and Work on Days Off (Saburoku Kyotei - "36 Agreement"), together with periodically convening a labor and management committee concerned with working hours and work styles, thereby devoting effort to appropriate working-time management and revision of work styles. We have established working-time consultation services for both labor and management, and respond to individual consultations and inquiries.

### Initiatives for Occupational Health and Safety

#### Toho Gas Group Health and Safety Declaration

Toho Gas Group is working to evolve as an energy operator, to create diverse value in life and business and to promote solutions for social issues in order to contribute to a sustainable society. It is our employees who support work and, therefore, ensuring the safety and health of our employees is the foundation for fulfilling our social responsibility as a corporation. We work to prevent occupational accidents, traffic accidents, and diseases so as to ensure the safety and health of our employees and create a comfortable working environment.

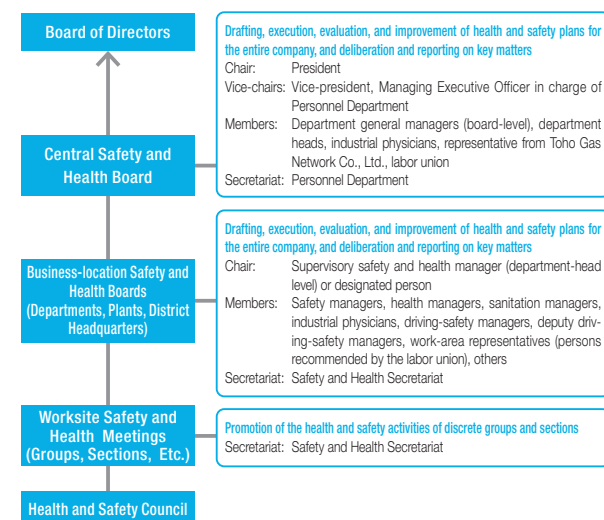
#### Occupational Health and Safety Promotion System

Twice a year, we hold Central Safety and Health Board meetings chaired by the president to enhance company-wide health and safety management and to promote health. The board deliberates on the three-year action plan and the action plans for each year, reflecting the results in subsequent plans and reporting their content to the Board of Directors.

Organized under the Central Safety and Health Board are the business-location safety and health boards and worksite safety and health meetings, and through mutual cooperation, the entire company is uniting to roll out health and safety activities. The business-location safety and health boards are structured so that half or more of the membership comprises persons recommended by the labor union, make these activities participatory for employees.

In addition, we organize a Health and Safety Council including partner companies and make efforts to prevent work accidents throughout the Group by means and education and awareness of safety and quality and through on-site patrols, for example.

#### Occupational Safety and Health Management System

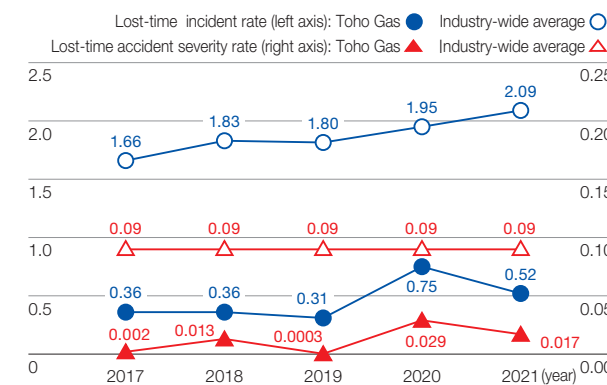


#### Status of work-related injuries

The lost-time incident rate in 2021 was lower than the industry-wide average (for businesses with 100 or more employees). The number of incidents reduced by 1 year-on-year, making 3 in total (2 lost-time incidents, 1 non-lost time incident). Of the lost-time incidents, 1 was an incident involving traffic while walking, and 1 was due to a "rash" from a plant that was touched during a site inspection. Fractures due to falls account for 50% of incidents in a typical year.

When incidents occur, we strive to prevent occurrence of similar incidents by publishing it as news and sharing the information with all employees.

#### Lost-time Incident Rate<sup>1</sup>, Lost-time Accident Severity Rate<sup>2</sup> (Non-consolidated)



<sup>\*1</sup> A safety indicator representing incidence of occupational accidents. Represents work stoppages caused by occupational accidents per 1,000,000 total work hours.  
Lost-time incident rate = (number of work stoppages) / (total work hours of workers) x 1,000,000

<sup>\*2</sup> A safety indicator representing the number of workdays lost caused by occupational accidents per 1,000 total work hours.  
Lost-time accident severity rate = (number of lost workdays) / (total work hours of workers) x 1,000

#### Occupational health and safety education and systems

##### Experiential Safety Training

We have established a training facility in the Head Office that showcases past cases of injury related to gas construction work and where risk can be experienced up close using dummies and the like. In an environment where safety is ensured, persons can actually experience for themselves such hazardous conditions as falls, fire, electrostatic discharge, and landslides, which leads to the prevention of workplace accidents due to a heightened sense of danger.



#### Driver Certification System

We have established an in-house driving-license system for employees who drive company-owned vehicles. Drivers obtaining one for the first time start with entry-level training and ride-along testing and suitability testing must be conducted at the time of renewal every five years, which helps to prevent traffic accidents. In addition, driving recorders are installed in all vehicles, with superiors and others conducting sampling reviews of recorded video and providing guidance.



#### Health Management Promotion

The Group is working to support health and to create a safe and comfortable workplace where employees can play an active role for a long time.

We have been collaborating with a health insurance society to conduct comprehensive health checkups that include more periodic health-check items than those mandated by Industrial Safety and Health Act, such as stomach and dental examinations as well as one-on-one interviews, thereby making thoroughgoing efforts to promote health from a younger age, and in prevention of lifestyle-related diseases.

For mental health measures, we carry out mental-health education in new-employee training and new-manager training, and conduct yearly stress checks and support activities for worksite improvement based on population-analysis results. Public-health nurses conduct mental-health consultations at the time of comprehensive health checkups, when necessary.

As a passive-smoke countermeasure, we completed preparation of indoor smoking rooms as well as implementing streamlining measures to separate smokers and nonsmokers in 2012, and at present we are progressing toward a transition to outdoor smoking areas. Our in-house clinic also provides smoking-cessation treatment on an outpatient bases as a support for smokers why are trying to quit. As a result of this initiatives, for three consecutive years starting 2020, we were recognized as a "Certified Health & Productivity Management Outstanding Organization (White 500)."





# Corporate Governance



● For details, please visit the ESG site  
<https://www.tohogas.co.jp/lang/en/approach/eco/governance/gov-01/>

## Basic Concept

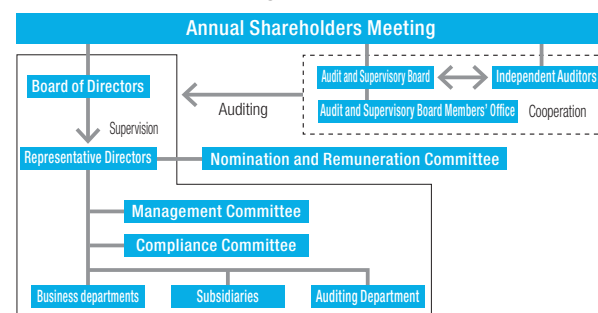
The management philosophy of the Toho Gas Group is to attain steady growth and contribute to the development of local economies by strengthening the supply of natural gas, an environmentally-friendly energy source known to have supply stability, as its business pillar, while attaching importance to winning trust from customers, local communities, shareholders, investors, corporate clients and employees working for the Group. Under this philosophy, the Group will reinforce its corporate governance in order to remain a corporate group which is always trusted by its stakeholders.

### Board of Directors, Management Committee

Our Board of Directors comprises nine Directors, including three Outside Directors. The Board of Directors is convened every month in accordance with the rules stipulated for the Board, and makes important decisions relating to the Toho Gas Group while supervising the execution of duties by Directors and Executive Officers.

The Company has adopted the Executive Officer System to strengthen the function of executive operations and to clarify responsibilities. The Company has also established the Management Committee to deliberate on important management issues, including important policy measures for each division and department, in accordance with the basic policy adopted by the Board of Directors and to manage the progress of each policy measure periodically. Various committees have been set up to deal with cross-sectional issues under the chairmanship of the President or other Directors. Each committee is tasked with grasping relevant issues and monitoring the progress of activities being undertaken in response to these issues, with the results of its meetings submitted to the Management Committee for deliberation.

### Corporate Governance Organizational Chart



### Audit and Supervisory Board

The Audit and Supervisory Board comprises five Audit and Supervisory Board Members, including three Outside Members. Each Audit and Supervisory Board Member monitors the execution of duties assigned to Directors by attending important meetings of the Company including meetings of the Board of Directors, reading important approval documents and visiting business offices. Each Audit and Supervisory Board Member also attends meetings of the Audit and Supervisory Board, convened on a monthly basis, for information sharing.

The Company has set up the Audit and Supervisory Board Members Office where full-time staff have been deployed to assist Members in the execution of their duties.

### Outside Directors and Outside Audit and Supervisory Board Members

Outside Directors and Outside Audit and Supervisory Board Members are appointed for the purpose of strengthening the supervisory and auditing functions of the Company and ensuring the transparency and fairness of corporate management. Because the three Outside Directors and three Outside Audit and Supervisory Board Members have no special interest with the Company, it has been determined that no conflict of interest exists or will arise with shareholders. Consequently, the Company designated them "independent directors" as defined by securities exchanges.

It is judged that objectivity and neutrality in the supervision of corporate management are guaranteed through operation of supervising and auditing functions of the Company under the respective roles played by Outside Directors and Audit and Supervisory Board Members including Outside Members.

### Selection and Dismissal of Senior Management and Nomination of Candidates for Directors and Audit and Supervisory Board Members

Selection of senior management and nomination of candidates for Directors and Audit and Supervisory Board Members are determined by resolution of the Board of Directors upon deliberation by the Nomination and Remuneration Committee, a majority of which consists of Outside Directors, comprehensively taking into account abilities required for the positions, such as being able to take a wide view of and understand management and the ability to grasp essential issues and risks.

Dismissal of senior management is determined by resolution of the Board of Directors upon deliberation by the Nomination and Remuneration Committee in the event of circumstances that make it difficult to fulfill the required roles.

### Evaluation of Effectiveness of Board of Directors

We evaluate all Directors and Audit and Supervisory Board Members based on surveys and individual interviews from the perspectives of standards and mechanisms, administrative management, roles and responsibilities and information-sharing/support systems, and report the evaluation results to the Board of Directors to ensure the effectiveness of the Board of Directors. We will continue making improvements based on opinions received from the survey and thereby endeavor to further improve its effectiveness.

### Director Remuneration

Director remuneration is based on their roles and responsibilities and on Company performance. It is set at an appropriate amount taking into consideration the remuneration level of employees and compensation levels at other companies.

Director remuneration consists of fixed remuneration (monetary remuneration), performance-linked compensation (monetary

### ● Outside Directors and Outside Audit and Supervisory Board Members

	Name	Reason for selection	Attendance (FY2021)	
			Board of Directors	Audit and Supervisory Board
Outside Directors	Tetsuo Hattori	We have determined that his abundant experience as a corporate manager provides him with strong insight to offer valuable opinions on management overall.	12/12	-
	Michiyo Hamada	We have determined that her abundant experience as a corporate legal scholar and as a member of the Fair Trade Commission Committee provides her with strong insight to offer valuable opinions on management overall.	12/12	-
	Taku Oshima	We have determined that his abundant experience as a corporate manager provides him with strong insight to offer valuable opinions on management overall.	9/10	-
Outside Audit and Supervisory Board Members	Tamotsu Kokado	We have determined that his abundant experience as a corporate manager provides him with strong insight to offer valuable opinions on management overall.	12/12	12/12
	Norikazu Koyama	We have determined that his abundant experience in police administrative agencies provides him with strong insight to offer valuable opinions on management overall.	12/12	12/12
	Keiko Ikeda	We have determined that her specialist knowledge and abundant experience in legal affairs as an attorney provides her with strong insight to offer valuable opinions on management overall.	12/12	12/12

Mr. Oshima assumed the position of Director on June 28, 2021, and attendance figures thereafter are given.

\*In addition to the number of Board of Directors given above, based on Article 370 of the Companies Act and company provisions, there was 1 written resolution that was considered to be a resolution of the Board of Directors.

remuneration), and transfer-restricted stock-based compensation (non-monetary compensation) and, as a guideline, the payment ratio for (1) fixed remuneration, (2) performance-linked compensation, and (3) transfer-restricted stock-based compensation is (1): (2):(3) = 6:3:1. Outside Directors receive only fixed remuneration. Fixed remuneration and performance-linked compensation are set by resolution of the Board of Directors upon deliberation by the Nomination and Remuneration Committee, a majority of which consists of Outside Officers, within the range of the remuneration determined at the annual shareholders meeting. Performance-linked compensation is indexed to items as goals in the Medium-Term Management Plan, and the state of achievement for the single fiscal year is reflected in remuneration by setting financial indicators such as consolidated ROA and non-financial indicators such as contribution to the reduction of CO<sub>2</sub>.

Transfer-restricted stock-based compensation has been adopted with the goal of further advancing shared value with shareholders and further heightening the willingness to contribute to enhancing medium- and long-term corporate value. Transfer-restricted stock-based compensation is set by resolution of the Board of Directors upon deliberation by the Nomination and Remuneration Committee, within a range of compensation amounts and numbers of shares in a framework that is separate from the foregoing range of remuneration determined at the annual shareholders meeting.

### ● Director Remuneration Structure

	Fixed remuneration (monetary remuneration)	Performance-linked compensation (monetary remuneration)	Transfer-restricted stock-based compensation (non-monetary compensation)
Internal Director	○	○	○
Outside Director	○	-	-

### ● Internal Director Remuneration Ratio (Standards)

Fixed remuneration 60%	Performance-linked compensation 30%	Transfer-restricted stock-based compensation 10%
------------------------	-------------------------------------	--

### Skill Matrix

With consideration for the agility of decision-making, the Board of Directors is comprised of Internal Directors who are thoroughly-familiar with the duties of each department and who understand and implement the corporate philosophy based on the social missions of providing stability and ensuring safety and security, and several Independent Outside Directors who have experience in various occupations and industries and deep insight. In addition, the Board Members and Auditors have the skills that are required for sustainable growth and corporate value enhancement in the medium-to-long term.

	Corporate Management Strategy	Financial Affairs Accounting	Law Physical risks	Human Resources Labor Human Resource Development	ESG	Operations Marketing	Technology Development IT	Security Disaster Prevention Stable gas supply	Internationalization
Directors	Yoshiro Tominari	●			●		●	●	●
	Nobuyuki Masuda	●			●	●	●	●	
	Shinichi Senda	●	●	●		●			●
	Hidetoshi Kimura	●	●	●	●				●
	Akira Torii	●		●	●	●		●	
	Satoshi Yamazaki	●	●	●		●			●
	Tetsuo Hattori	●			●		●		
	Michiyo Hamada		●		●				●
	Taku Oshima	●					●		●
Audit and Supervisory Board Members	Mitsuhiro Kodama	●	●	●					●
	Hiroaki Kato		●	●	●	●			
	Tamotsu Kokado	●	●	●					
	Norikazu Koyama			●	●	●			
	Keiko Ikeda	●		●	●				

\* Main specialisms and experience of Board of Directors and Audit & Supervisory Board Members



## Internal Control



● For details, please visit the ESG site  
<https://www.tohogas.co.jp/lang/en/approach/eco/governance/gov-02/>

## Basic Concept (Establishment of Internal Control System)

Toho Gas Group Board of Directors resolved to establish a system (internal control system) to ensure the appropriateness and effectiveness of business operations and based on this resolution, we strive to strengthen risk management and ensure thorough compliance.

We review the internal control system as necessary based on changes in the business environment and other factors and confirm the status of its implementation at the Board of Directors Meeting each fiscal year. Details of the resolution and an outline of the status of its implementation over the past fiscal year are disclosed in our "Business Report" and can be viewed on our website (in Japanese).

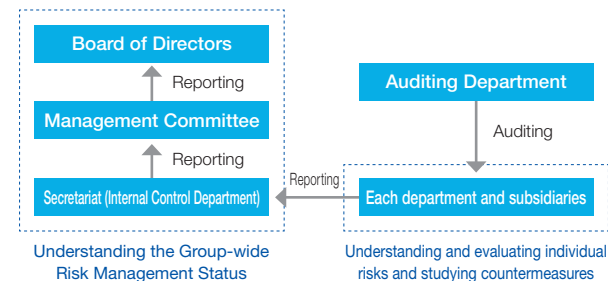
## Resolution of the Board of Directors on the Internal Control System

- ① Board of Directors system for execution of duties  
(Conformity of Board of Directors execution of duties with laws and ordinances, and its effectiveness)
- ② Risk management system
- ③ Compliance system
- ④ Subsidiaries business management system
- ⑤ Audit system

## Risk Management

Based on Risk Management Rules, we work systematically to reduce risks. Each fiscal year, the Management Committee reviews the status of the Group's risk management and reports to the Board of Directors. We are conducting risk management that also addresses risks related to climate change and other ESG matters. The relevant committee promotes measures aimed at risk reduction for cross-divisional issues; also, the progress and issues are discussed at the Management Committee. In addition, important management issues are also deliberated from the perspective of risk management.

## ● Risk management system



In order to maintain the supply of city gas, which is an essential part of daily life, in addition to establishing management systems that anticipate disasters and enacting BCP, we continuously implement drills in anticipation of a large-scale disaster. Furthermore, we strive to strengthen our cooperation with subsidiaries and partner companies. In measures to counter

COVID-19 infection, we instituted an emergency system and are taking steps that include accommodating continued operations and infection-prevention measures.

## ● Operation during emergencies

## Occurrence of emergencies such as large scale earthquakes

Operations to maintain supply	Procurement of energy resources, gas production, supply adjustment, etc.
Emergency response operations (initial response)	Prevention of secondary disasters, emergency security operations (responding to leaks, repairs), etc.
Emergency response operations (recovery work)	Repair of pipelines, gas equipment safety checks, commencement of gas supply, etc.
Minimum maintenance of operations	Financing, settlement of accounts, system maintenance management, meter reading, transportation pipeline patrols, etc.

## Management of Subsidiaries

We support the development of internal control systems at subsidiaries, in an effort to strengthen internal control systems Group-wide. We receive regular reports from major subsidiaries, based on our subsidiaries management regulations, regarding fiscal plans, settlement of account, operations, and status of activities related to internal control.

## Information Security Measures

To ensure cyber security, the strengthening of security measures is deliberated by the Cyber Security Committee. We continuously conduct drills that anticipate occurrence of email targeted-attack drills and other incidents. In FY2021, a Cyber Security Enhancement month was held, during which we engaged in priority training and education.

## Internal Auditing

Based on the audit plan, the Auditing Department audits Toho Gas and subsidiaries to ensure that operations are being conducted appropriately and efficiently. They promptly report audit results to the president and corporate auditors and provide advice.

In addition, in order to respond to the "System to Report Evaluation of Internal Controls over Financial Reports" under the Financial Instruments and Exchange Act, the relevant departments and subsidiaries conduct self-checks as to whether internal rules and check mechanisms are in place and operating appropriately. In addition, the Auditing Department, the organization charged with internal auditing, conducts evaluations and is itself audited by an external auditing company. In FY2021, we again confirmed through this process that internal control over the Group's financial reporting was effective, and we submitted our internal control report to the Financial Services Agency.

## Compliance



● For details, please visit the ESG site  
<https://www.tohogas.co.jp/lang/en/approach/eco/governance/gov-03/>

## Basic Concept

For the Toho Gas Group, compliance includes complying with laws and internal regulations, action based on good sense and ethics, and meeting the expectations of customers and society. By ensuring thorough implementation of the Corporate Code of Ethical Conduct and the Compliance Code of Conduct, we hope that each employee will live up to the trust of customers.

## Corporate Code of Ethical Conduct (Extract)

Toho Gas Group aims to be a corporate group that is always trusted by customers, shareholders, the local communities and business partners. We observe laws and regulations and the spirit of the law, respecting the good sense and ethics of society, undertaking sincere and fair corporate activities, whereby we contribute to the local communities. In addition, we promote timely and appropriate disclosure of information, actively communicate with concerned parties, coexistence and coprosperity.

## Compliance Code of Conduct

(Extracted from "Establishing a Relationship of Trust with Society")

## [Social contribution activities]

- As an enterprise having close involvement with local communities, we actively contribute in projects conducive to regional development. We also support social-contribution activities, such as the volunteer activities that each of our employees perform.

## [Initiatives against anti-social forces]

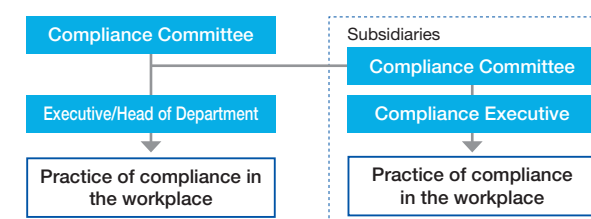
- We sever all connections to antisocial forces that threaten the order and safety of civil society and hinder sound business activities, and resolutely deny demands therefrom.

## [Association with Related Parties and Anti-Corruption]

- Corporate entertainment and gifts that might pervert the occupational fairness or that go beyond the boundaries of what is socially-acceptable are not provided to related parties, including that which has the objective of acquiring or maintaining unjust profit or preferential treatment.
- In associating with public officials, including foreign public officials, we accept nothing that is contrary to the spirit of the National Public Service Ethics Act, Unfair Competition Prevention Act (Prohibition against the Provision of Wrongful Gains to Foreign Public Officials) or the relevant laws of other countries. Association with persons treated as public officials and the officers and staff members of organizations subject to provisions concerning bribery in special laws also conforms to this.

## Compliance Promotion System

Committee meetings are held twice a year, in principle, deliberating action plans and results and reporting to the Board of the Directors. Each department's head is responsible for promoting compliance in each workplace, and the managers and office chiefs take responsibility for implementation of activities. Each subsidiary has also established a Compliance Board and is engaging in proactive efforts.



## Compliance Consultation Service

Toho Gas Group has established a compliance consultation service (internally and externally at a law firm), to provide consultation points regarding Group compliance. The service provides consultations relating to such matters as legal compliance, maintenance of healthy working environments, and fair business activities, including prevention of corruption. We will swiftly conduct a factual investigation and the like for matters consulted on for the early detection and correction of problems. During FY2021 there were 27 consultations.

## Education and Enlightenment Activities

We conduct training on compliance at every level of the Group. In FY2021, we provided an Antimonopoly Law workshop (77 participants) for director and managerial-level employees, labor management training (30 participants) for managers of partner companies, and online training (themes including workplace communication, harassment and waste disposal; total of 16,000 participants) for all employees. We also hold compliance meetings at each workplace, and issue "Compliance News" periodically.

## Inspection and Survey Activities

We conduct inspections at all Group workplaces to ensure compliance with laws and the like. We also conduct annual attitude surveys for all employees on compliance, and reflect the results in our compliance action plan. The number of respondents in FY2021 was 6,379 (response ratio of 86%).

## Protection of Personal Information

Based on the Act on the Protection of Personal Information and various guidelines, we have established a personal information protection policy, personal information protection rules, and other internal regulations and manuals in an effort to take safety management measures and to handle personal information appropriately.

Our personal information protection system consists of the Personal Information Protection Committee chaired by the Personal Information Protection Supervisor (an executive appointed by the President), which deliberates on the action plan and results relating to personal information protection.

We regularly conduct self audits of the management situation at all Group workplaces and also strive to ensure the security of information systems by preventing unauthorized access from the Internet.



## ESG Highlights [Governance]

*Directors and Audit & Supervisory Board Members* (as of June 30, 2022)

## Directors

Representative Director, Chairman

Yoshiro Tominari



Apr. 1981 Joined Toho Gas  
Jun. 2003 General Manager of Production Planning Department  
Jun. 2006 General Manager of Corporate Planning Department  
Jun. 2009 Executive Officer, General Manager of Corporate Planning Department  
Jun. 2010 Executive Officer, Executive General Manager of Research & Development Division  
Jun. 2011 Managing Executive Officer, Executive General Manager of Production Division  
Jun. 2012 Director, Managing Executive Officer, Executive General Manager of Production Division  
Jun. 2013 Director, Managing Executive Officer  
Jun. 2015 Director, Senior Managing Executive Officer  
Jun. 2016 Representative Director, President  
Jun. 2021 Representative Director, Chairman (current position)

Representative Director, President

Nobuyuki Masuda



Apr. 1986 Joined Toho Gas  
Jun. 2008 General Manager of Engineering Department  
Oct. 2009 General Manager of Production Planning Department  
Jun. 2014 General Manager of Distribution Planning & Management Department  
Jun. 2015 Executive Officer, General Manager of Distribution Planning & Management Department  
Jun. 2017 Executive Officer, Executive General Manager of Distribution Division  
Jun. 2018 Managing Executive Officer, Executive General Manager of Research & Development Division and Executive General Manager of Production Division  
Apr. 2019 Managing Executive Officer, Executive General Manager of R&D/Digital Division and Executive General Manager of Production Division  
Jun. 2019 Director, Managing Executive Officer, Executive General Manager of R&D/Digital Division and Executive General Manager of Production Division  
Jun. 2020 Director, Senior Managing Executive Officer, Executive General Manager of R&D/Digital Division  
Jun. 2021 Representative Director, President (current position)

Representative Director,  
Executive Vice President

Shinichi Senda



Apr. 1982 Joined Toho Gas  
Jun. 2006 General Manager of East Nagoya District Headquarters  
Jun. 2009 General Manager of Residential Sales Planning Department  
Jun. 2011 General Manager of Personnel Department  
Jun. 2014 Executive Officer, General Manager of Gas Resources Department  
Jun. 2017 Managing Executive Officer  
Jun. 2018 Director, Managing Executive Officer  
Jun. 2019 Director, Senior Managing Executive Officer  
Jun. 2021 Representative Director, Executive Vice President (current position)  
● Assistant to President, in charge of Public Relations Department

Representative Director,  
Executive Vice President

Hidetoshi Kimura



Apr. 1982 Joined Ministry of International Trade and Industry (MITI)  
Jul. 2011 Director-General of Chubu Bureau of Economy, Trade, and Industry  
Jun. 2014 Senior Executive Director of Japan Finance Corporation  
Jan. 2019 Joined Toho Gas  
Apr. 2019 Executive Researcher  
Jun. 2019 Managing Executive Officer  
Jun. 2021 Director, Senior Managing Executive Officer  
Apr. 2022 Representative Director Executive Vice President (current position)  
● Assistant to President, in charge of Auditing Department, and Power Business Promotion Department

Director, Senior Managing Executive Officer

Akira Torii



Apr. 1984 Joined Toho Gas  
Jun. 2010 General Manager of West Nagoya District Headquarters  
Nov. 2011 General Manager of Home Systems & Appliance Sales Department  
Jun. 2014 General Manager of Secretarial Department  
Jun. 2016 Executive Officer, General Manager of Secretarial Department  
Jun. 2019 Managing Executive Officer  
Jun. 2021 General Manager of Residential Gas Sales Division  
Jun. 2021 Director, Senior Managing Executive Officer  
Apr. 2022 Director, Senior Managing Executive Officer (current position)  
● In charge of CSR/Environment Department, Purchasing Department, Residential Gas Sales Division, and Industrial and Commercial Gas Sales Division

Director, Senior Managing Executive Officer

Satoshi Yamazaki



Apr. 1986 Joined Toho Gas  
Jun. 2010 General Manager of West District Headquarters  
Jun. 2012 General Manager of Finance Department  
Jun. 2016 General Manager of Corporate Planning Department (Kikaku-bu)  
Apr. 2017 General Manager of Corporate Planning Department (Keieikikaku-bu)  
Jun. 2017 Executive Officer, General Manager of Corporate Planning Department (Keieikikaku-bu)  
Apr. 2019 Executive Officer, General Manager of Corporate Planning Department (Kikaku-bu)  
Jun. 2020 Managing Executive Officer  
Jun. 2021 Director, Managing Executive Officer  
Apr. 2022 Director, Senior Managing Executive Officer (current position)  
● In charge of Corporate Planning Department - Business Development Department - Personnel Department

Outside Director

Tetsuo Hattori



Jun. 2008 Representative Director and President of Kanto Auto Works, Ltd. (current Toyota Motor East Japan, Inc.)  
Jun. 2012 Senior Advisor of Kanto Auto Works, Ltd. (current Toyota Motor East Japan, Inc.)  
Jun. 2012 Senior Advisor of Toyota Motor East Japan, Inc.  
Jun. 2015 Outside Director of Toho Gas (current position)  
Jun. 2016 Honorary Advisor of Toyota Motor East Japan, Inc.  
Jun. 2018 Retired from Honorary Advisor of Toyota Motor East Japan, Inc.

Outside Director

Michiyo Hamada



Apr. 1985 Professor, Nagoya University School of Law  
Apr. 1999 Professor, Graduate School of Law at Nagoya University  
Apr. 2008 Dean, Nagoya University Law School  
Apr. 2009 Professor Emeritus, Nagoya University (current position)  
Member of the Fair Trade Commission  
Mar. 2014 Retired from Member in the Fair Trade Commission  
Jun. 2014 Outside Audit & Supervisory Board Member of Toho Gas  
Jun. 2020 Outside Director of Toho Gas (current position)

Outside Director

Taku Oshima



Jun. 2014 Director, President of NGK INSULATORS, LTD.  
Apr. 2021 Director, Chairman of NGK INSULATORS, LTD. (current position)  
Jun. 2021 Outside Director of Toho Gas (current position)

## Audit &amp; Supervisory Board Members

Audit & Supervisory  
Board Member

Mitsuhiro Kodama



Apr. 1982 Joined Toho Gas  
Apr. 2007 General Manager of Gas Resources Department  
Jun. 2013 Executive Officer, General Manager of Gas Resources Department  
Jun. 2014 Executive Officer, General Manager of Corporate Planning Department  
Jun. 2016 Managing Executive Officer  
Jun. 2017 Director, Managing Executive Officer  
Jun. 2019 Director, Senior Managing Executive Officer  
Jun. 2021 Audit & Supervisory Board Member (current position)

Audit & Supervisory  
Board Member

Hiroaki Kato



Apr. 1984 Joined Toho Gas  
Nov. 2011 General Manager of General Affairs Department  
Jun. 2013 General Manager of East Nagoya District Headquarters  
Jun. 2015 General Manager of Auditing Department  
Jun. 2019 Audit & Supervisory Board Member (current position)

Outside Audit & Supervisory  
Board Member

Tamotsu Kokado



Jun. 2009 Representative Director, Deputy President of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.)  
Jun. 2012 Standing Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.)  
May. 2015 Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.) (current position)  
Jun. 2015 Outside Audit & Supervisory Board Member of Toho Gas (current position)

Outside Audit & Supervisory  
Board Member

Norikazu Koyama



Aug. 2008 Chief, Aichi Prefectural Police Headquarters  
Jan. 2010 Vice President of National Police Academy and Councilor of Commissioner General's Secretariat of National Police Agency (in charge of Criminal Affairs Bureau)  
Jan. 2012 Director General of Chubu Regional Police Bureau  
Apr. 2013 Director General of Kanto Regional Police Bureau  
Sep. 2014 Councilor of Japan Police Personnel Cooperative  
Dec. 2014 Senior Director of Japan Police Personnel Cooperative  
Jun. 2017 Senior Director of Council for Public Policy  
Outside Audit & Supervisory Board Member of Toho Gas (current position)

Outside Audit & Supervisory  
Board Member

Keiko Ikeda



Apr. 1983 Registered Attorney  
Aug. 1986 Established Ikeda Law Office (current Ikeda Law & Patent Office)  
Jul. 2000 Registered patent Attorney  
Apr. 2017 Chairperson of Aichi Bar Association  
Apr. 2018 Chairperson of Chubu Federation of Bar Associations  
Jun. 2020 Outside Audit & Supervisory Board Member of Toho Gas (current position)



# Messages from Outside Directors



## Sustainable Growth Based on the Group Vision



**Tetsuo Hattori**  
Outside Director

After developing the energy business with a focus on gas, Toho Gas, as a total energy provider, has been contributing to the development of local communities by expanding into the electricity business in recent years.

Toho Gas, celebrating its centennial anniversary, is dynamically moving forward toward a new era. Splitting off the Pipeline Network Division as a separate company is one of the first steps to the new era. In order for each and every employee to come together as one to pave the way forward for the future of Toho Gas Group, the target direction and aims have been defined in the Toho Gas Group Vision and the Medium-term Management Plan.

Meanwhile, changes will continue to occur as we face numerous interconnected and complex issues on a global level. Among these issues, carbon neutrality is an urgent theme for the protection of the global environment, the realization of a sustainable society and for the realization of continuous corporate growth as an energy provider. The process toward carbon neutrality includes, for example, securing diversified renewable energy sources, networking and controlling various power sources, including storage batteries. For Toho Gas as a gas-centric business, in particular, it includes the introduction of green hydrogen and synthetic methane as heat source energies, as well as the construction of social implementation systems for distribution and more. The difficult task of achieving these goals requires the development of various new technologies and innovation in different areas. However, we want to get closer to generating clean energy as we take one step at a time toward combining these factors together. Toho Gas Group is engaging in promising initiatives toward carbon neutrality, which is included in our Group Vision and in Medium-Term Management Plan.

In order to achieve that goal, it is important that all Group employees work toward this target with enthusiasm and sincerity while sharing these objectives and targets as they move forward as one with a strong sense of teamwork. Based around the Group Vision, we want to achieve sustainable growth by strengthening initiatives toward both the fundamental issue of “safety, security and stable energy supply” and “reforms geared toward a new era.”

## Working to Resolve the Issue of Climate Change as a Total Energy Provider



**Michiyo Hamada**  
Outside Director

Since its formation as a gas company in Nagoya 100 years ago, Toho Gas Group has evolved through a process of facing and overcoming challenges at different times to become what it is today. Within the recent change to the business environment due to the liberalization of energy retail, the company has transformed itself into a total energy provider based in the Chubu region. Meanwhile, climate change has arisen as an issue of great importance

When tackling on this issue, only a total energy provider can resolve the social issue of low-cost and stable low-carbonization/decarbonization by offering and proposing to customers the optimal combination of energies through multiple energy sources. I am very much proud that all employees are coming together as one to tackle this highly-significant task. I hope that our investment in clean energy and the determined engagement in technological development will lead to fruitful results.

The Russian invasion of Ukraine that began on February 24 of this year showed me an instant breakdown of peace. For energy operators, in this given situation, there is an increasing urgency to construct a resilient energy supply network that is not arbitrarily upset by countries rich in specific energies. In addition to the climate change issue, I am keenly aware of the need to prepare for changes in the global situation.

Under these circumstances, Toho Gas corporate governance has been steadily improving, even during the COVID-19 pandemic. We are now able to individually receive prior briefings of key agenda items at the Board of Directors in online meetings with the responsible party. This means that more time can be allocated to discussion at the Board of Directors. The Board of Directors has always had an atmosphere that allows outside members to freely speak up. While it is unfortunate that opportunities for on-site inspections have limited for us due to the COVID-19 pandemic, we look forward to their revival in the near future.

## Aiming for Results from ESG Management in an Era Where the Quality of Management is Being Questioned



**Taku Oshima**  
Outside Director

Toho Gas Group celebrated the centennial anniversary of the company's establishment in June of this year. Based on the founding spirit of the company that has been built up during this period, a new Group Vision was formulated showing what the company aims to be in the mid-2030s and the initiatives toward achieving that with a view toward achieving carbon neutrality by 2050 for humankind.

The first step is the Medium-Term Management Plan 2025, which defines four themes and specific details of activities.

The global economy is in chaos due to climate change and the issue of the stable supply of energy and food, but I wish to see the company come together as one to engage in the achievement of the Group Vision. The Medium-term Management Plan includes some difficult issues that are not easy to tackle. It is important that each employee understands the direction in which the company is heading, has a firm grasp on the role and targets that they should be fulfilling, and makes earnest effort day by day. Just as small buds become trunks that eventually give fruit, I hope that each employee rises to the challenge.

Recently, ESG management has come into sharp focus in society, and great importance has been placed on the construction of structures for business management and supervision in order to realize maximum benefits for stakeholders. Toward the achievement of carbon neutrality by 2050, in particular, it will be necessary to expand business into new technical fields, markets and industries, and we may have to confront rules and regulations that are new to our understanding and to our way of doing things.

Today's society is looking closely not only at business outcomes but also at the quality of management. The key point is for each employee is to adhere to the law and to fully apply risk management.

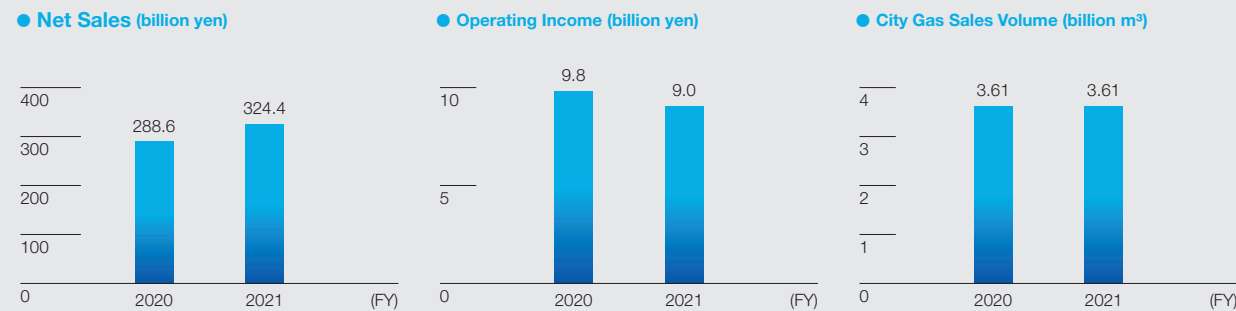


## Business Report

## City Gas Business

Business  
Overview

Toho Gas rolls out the city gas business through its gas pipeline network that covers approx. 30 thousand km centering in Aichi, Gifu and Mie prefectures. We are engaged in everything from the procurement of raw gas materials through to manufacturing, supply, sales, pipeline construction for gas supply and the sale of gas equipment.



Gas sales increased 0.1% year-on-year, reaching 3.613 billion m³. By the type of use, there was a 2.9% decrease in residential use due to the reaction from the preceding term's stay-at-home demand and the impact of competition. Commercial use rose 0.7% due to the increased operation of customer equipment, although there was some impact from the drop in production caused by the shortage of parts.

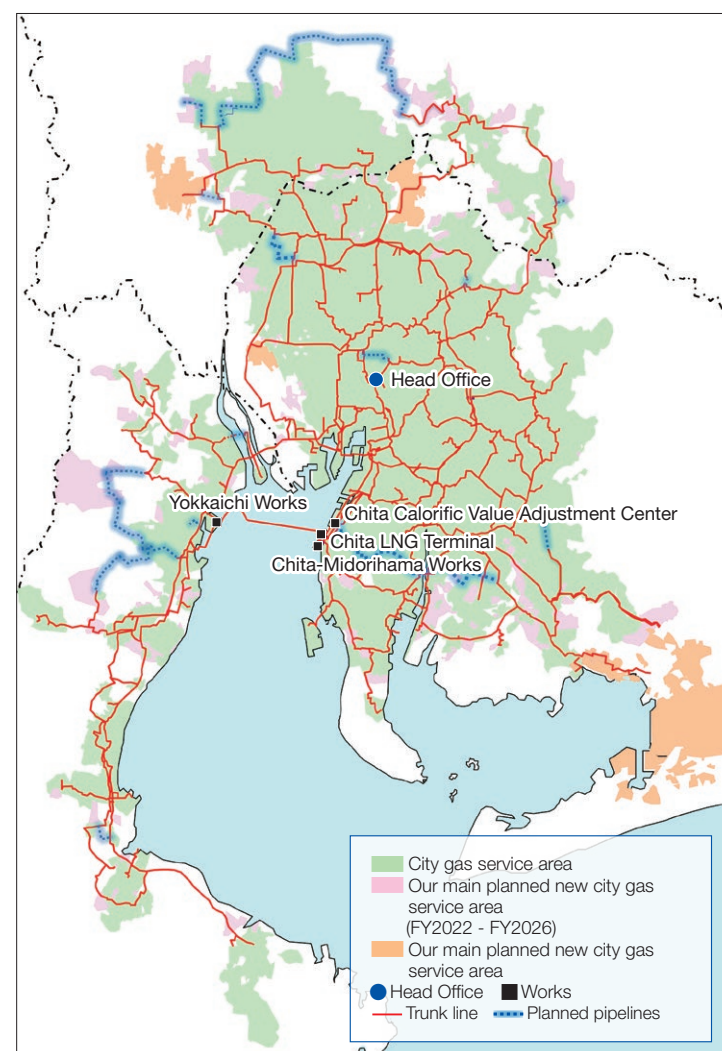
## Diversification of LNG Procurement and Participation in the Value Chain

Toward the low-cost and stable procurement of LNG, which is the raw material for city gas, we are promoting initiatives such as the decentralization of procurement areas and diversification of price indexes and contract types. Furthermore, we are also strengthening our involvement in the LNG value chain through upstream investment and investment in LNG carriers.



## Expansion of Natural Gas Service Areas

The gas pipeline network that Toho Gas Group has constructed heretofore has a total length of approx. 30 thousand km. With the initiatives with Toho Gas Network Co., Ltd., the Group will continue to promote the improvement and expansion of the gas pipeline network from a medium- to long-term perspective, to expand the area of supply and to increase the amount of gas sent. Also, the greater expansion of natural gas will be promoted by supplying LNG to wider areas using trucks.

Security Measures and Disaster Measures  
Pursuing Stable Supply and Safety

In addition to striving to have a stable supply and ensuring safety, which is the mission of gas operators, we aim to grow the gas business by further strengthening cost competitiveness and deepening relationships with our customers. In order to have a stable supply and to ensure safety, we will pass down our advanced expertise and technology in the areas of gas equipment construction, maintenance and emergency stability to the next generations. At the meantime, we use digital technologies to increase the efficiency and sophistication of work in frontline sites. Furthermore, aware of the rising intensity of natural disasters, we are working to augment measures for facilities together with "soft" measures, further strengthening our disaster-response capabilities. Toward the low-cost and stable procurement of LNG, which is the raw material for city gas, we are promoting initiatives such as the decentralization of procurement areas and diversification of price indexes and contract types.

## Using Digital Technologies

We are increasing the efficiency and effectiveness of the stable supply and safety by means of the latest digital technologies, including smart meters and AI. Smart meters, which will start to be installed from the mid-2020s, will enable a remote reading of customer information so that quick and reliable measures can be taken locally when abnormalities are detected during general use, and will provide more advanced recovery functions during disasters using remote isolation and restoration functions. Using AI to estimate the deterioration of gas pipes will allow countermeasures against age-based deterioration to be prioritized and refined, promoting more efficient gas pipe replacement.

## Expansion of Energy Share by Responding to Diverse Customer Needs

As a total energy provider, we deliver energy to more customers in an optimal manner to support their life and business. In addition to proposing products and services that are useful to security and comfortable living through activities at our community-based service shop "ENEDO," we are improving the range of options to meet diverse customer needs such as carbon-neutral energy supply.

## Carbon Neutrality Among Customers

In addition to shifting to city gas, promoting advanced energy utilization, and introducing carbon neutral LNG, we will support customer initiatives, from consulting to implementation of reduction measures and subsequent operation management and maintenance, to help our corporate customers realize carbon neutrality.

## TOPIC

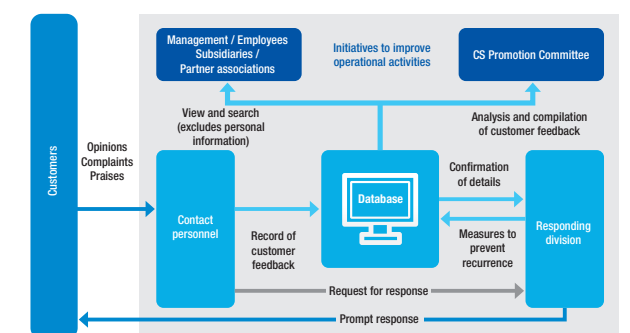
## Procurement of Carbon Neutral LNG

In April 2021, our first carbon neutral LNG was received at Chita-Midorihamma Works. With carbon neutral LNG, the CO<sub>2</sub> emitted in all of the processes from the excavation of the natural gas through to use as fuel by the customer is offset by means CO<sub>2</sub> credits (carbon offsetting). The supply of city gas using carbon neutral LNG began in August 2021. By using this carbon neutral city gas, the CO<sub>2</sub> produced in the entire value chain, including customers, is offset.

## Improvement in Customer Satisfaction (CS)

Based on the basic policy for CS activities determined by the CS Promotion Committee, whose members include officers and department heads, the CS Governing Board, CS organizations within each division, subsidiaries, ENEDO, gas engineering companies and others join together to improve work quality and service.

In addition to sharing customer opinions, which are valuable management resources, with the relevant divisions, leading to prompt measures and business improvement, the results of Customer Satisfaction Surveys are reported to the relevant divisions to make improvements for better CS.



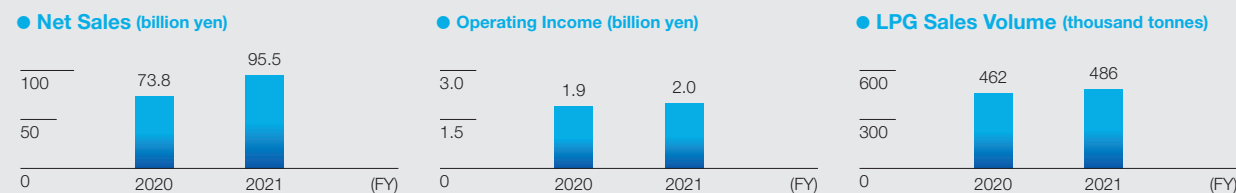


## Business Report

## LPG and Other Energies

Business  
Overview

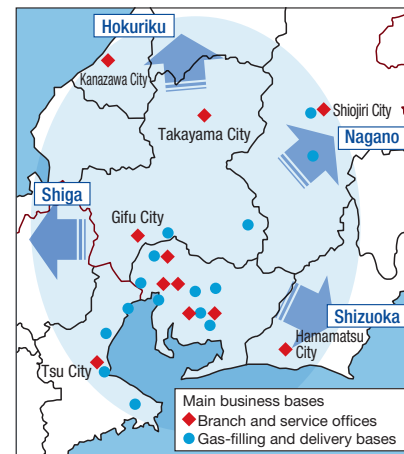
The LPG and LPG equipment sales business is being expanded. In addition, we are conducting LNG sales, fuel supply business, and sales of coke and petroleum products.



The number of LPG customers increased by 10 thousand customers during the current term, reaching 603 thousand customers as of the end of FY2021, while the sales volume was 486 thousand tonnes, so that the increase in sales for LPG and Other Energies was 29.3% year-on-year (95.559 billion yen).

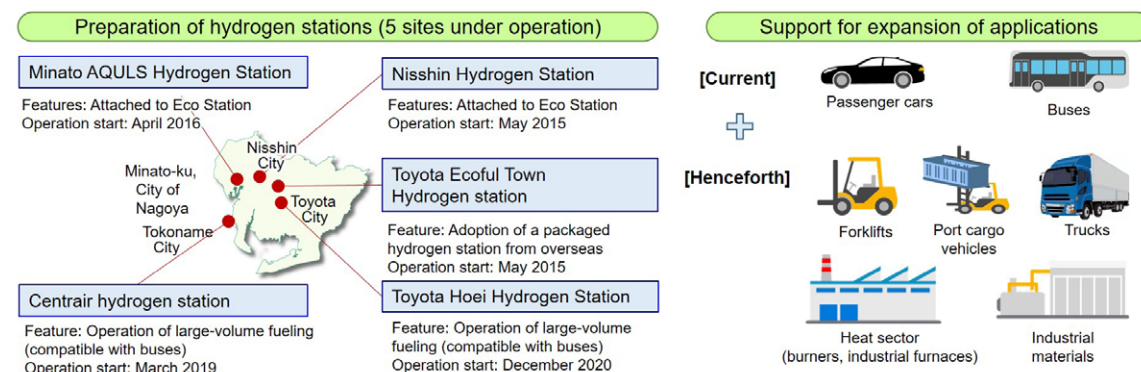
## Strengthening of the LPG Business

In addition to an active demand increase in the three prefectures in the Tokai area, the LPG business is being expanded by strengthening activities in wider areas. Also, by strengthening business foundations, including filling and delivery, we are aiming to achieve continuous growth.



## Establish a Foundation to Expand the Use of Hydrogen

In addition to Chita-Midorihamma Works embodying the concept of a hydrogen supply base, we will build up a firm position as a hydrogen supplier in the region by advancing efforts to the practical application of hydrogen utilization technology and by responding to increasing hydrogen needs.

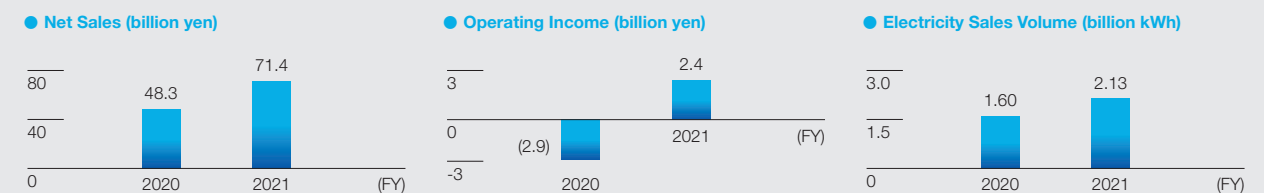


## Business Report

## Electricity Business

Business  
Overview

The electricity retail business is expanding. We are providing electricity fee plans using renewable energy and a Company-oriented Solar Power Generation On-site Service.



The number of electricity customers increased by 77 thousand customers during this term, reaching 514 thousand customers as of the end of FY2021, while the sales volume was 2.126 billion kWh. The increase in sales in the electricity business was 47.9% year-on-year (71.478 billion yen).

## Expansion into the Electricity Business

While aiming to be a reliable energy operator in the region, we are enhancing the electricity business as one of the diverse energies that are being supplied to customers. We are also making efforts toward the low-carbonization/decarbonization of electricity and the expansion of power services, offering better options for customers to choose electricity.

## Stable Electricity Procurement at a Reasonable Price

In addition to utilizing the Yokkaichi Power Station owned by the company, we are combining multiple suppliers to achieve low-cost and stable power source procurement. Toward the further stabilization of procurement and income/expenditure, we are promoting efforts to secure power sources, including examining large-scale power sources and the utilization of VPP and storage batteries.



Yokkaichi Works

## Low-carbonize/Decarbonize Electricity

Through power source diversification, we aim to enhance the development and procurement of renewable energy power sources. We will provide a menu of services that utilize these power sources to contribute to our customers' carbon neutrality.

## Expansion of Renewable Energy Power Sources

In addition to promoting the development of diverse power sources, including solar power, biomass, and on-land and marine wind power generation, we are strengthening systems for the stable O&M of power plants. We are also promoting studies relating to the introduction of system storage batteries toward the effective use of renewable energy.



Woody biomass power plant (predicted image) Solar power plant

## Utilization of Renewable Energy Power Supply

We will contribute to the realization of a sustainable society through the effective use of local renewable power sources including waste power generation by offering a menu of services that use carbon neutral electricity and by cooperating with local governments and others.

## TOPIC

## Participating in Marine Wind Power Generation in Taiwan

Alongside Mitsui O.S.K. Lines, Ltd. and Hokuriku Electric Power Company, we have decided to participate in the marine wind power generation business in Taiwan through the acquisition of a 25.0% stake in Formosa 1 International Investment owned by the Australian financial group, Macquarie Group Limited. Through its wholly-owned Formosa 1 Wind Power, the company manages the marine wind power generation plant that has a capacity of 128,000 kW off the shore of Miaoli County, Taiwan. It is Taiwan's first commercial-scale marine wind power generation plant, and is has been conducting sales to the Taiwan Power Company based on a feed-in-tariff system for 20 years.

## TOPIC

## Participation in One of the Country's Largest Woody Biomass Fuel Combustion Power Plants

Through joint investment with JFE Engineering Corporation, Chubu Electric Power Co., Inc. and Tokyo Century Corporation, we are developing a woody biomass single-fuel combustion power plant in Tahara City, Aichi Prefecture that has a power-generation output of 112,000 kW, making it one of the largest in the country. Construction began in June 2022 with the aim of starting operation in September 2025.

Among renewable energies, biomass power generation allows stable power generation and easy output control. Therefore, investment companies are actively promoting its development as a major power source.



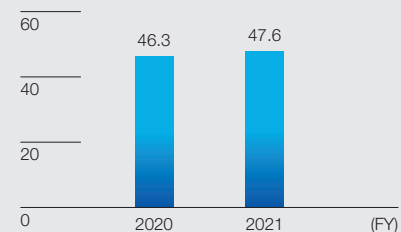
## Business Report

## Other Businesses

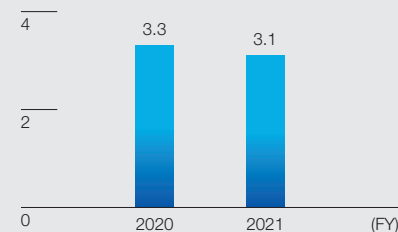
Business  
Overview

Business is expanding in Japan and in other countries, including overseas natural gas development and investment, LNG contract processing, LNG cooling and sales of liquid nitrogen, security control of gas equipment, real estate management and leasing, plant and equipment design and construction, the integrated utility services business, sales of residential equipment, data processing services, vehicle and equipment leasing, and more.

## ● Net Sales (billion yen)



## ● Operating Income (billion yen)

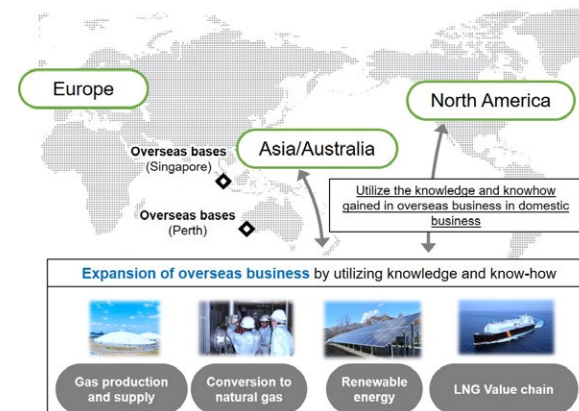


Sales rose 2.8% year-on-year to 47.641 billion yen.

## Expansion of Domestic and Overseas Energy-related Business

As a strategic initiative that utilizes the knowledge and expertise we have cultivated through business operation, we are aiming to scale-up gas sales, LNG-related business, renewable energy business and other energy-related businesses at home and overseas. Specifically, in Southeast Asia, Europe, North America, and Australia, we are pressing ahead with participation in the energy-usage and LNG-terminal businesses as well as other businesses where we can make the utmost use of technologies and expertise in pipelines and other components, including consulting on LNG and gas sales, gas pipeline business operations, and LNG tank construction. Also, we will continue to participate in ongoing initiatives in the LNG value chain,

including the Ichthys Project (upstream) and the LNG Canada Project (midstream project), as we strive to acquire expertise and know-how.



## TOPIC

Participation in Development Studies for an Off-shore CO<sub>2</sub> Collection and Storage Project in Australia

In this project, the CO<sub>2</sub> emitted by various industrial facilities in the Asia-Pacific region, including Australia, will be collected, liquefied and transported, and then injected into underground storage tanks from off-shore injection hubs off the coast of Australia for the long-term storage of CO<sub>2</sub>. Currently, developmental studies are being promoted with regard to project concept planning, and the evaluation and selection of CO<sub>2</sub> underground storage tanks. Through participation in developmental studies in this project, we are acquiring expertise and know-how regarding the collection, liquefaction, transport and storage of industry-generated CO<sub>2</sub> that will prove useful in promoting carbon neutrality.

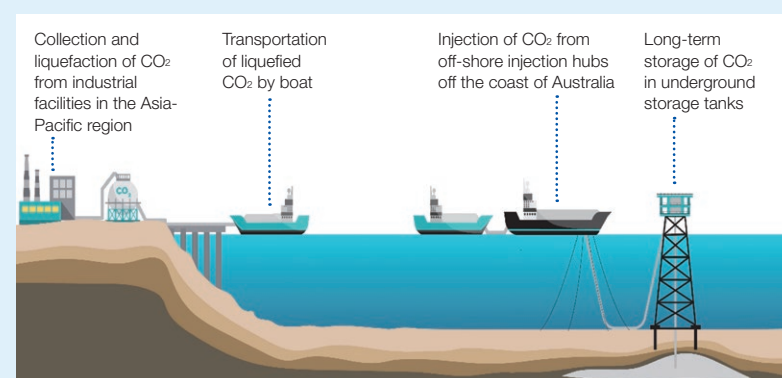


Image of project implementation

## Expanding the Number of Contact Points of Customers by Strengthening Digital Platforms

We are expanding the number of contact points with customers by strengthening digital platforms with a view toward diversified customer needs and life during and after the COVID-19 pandemic. In addition to the further improvement of services through Club TOHOGAS, a website for residential customer members, we are offering diverse life-related services via the Internet on the life service platform ASMITAS. Through co-creation with local startup enterprises, we are developing region-centric services and expanding new businesses and services centering on areas such as housing, food, health and nursing.

## Implementing and Expanding Efforts to Support Businesses in the Region

While business issues are becoming more complex and advanced, including measures for carbon neutrality, we are strengthening our capability to support customer businesses. In order to provide one-stop support for the realization of customer's carbon neutrality, we are enhancing the carbon neutral consulting and engineering business, and improving our capacity for CO<sub>2</sub> emissions reductions proposals and technologies.

## TOPIC

## TOHOGAS Car Share – Car Sharing Service

With increasing demand as a convenient service for borrowing a car when needed, "TOHOGAS Car Share" service is in operation at three locations within City of Nagoya from April 2022.

It is a convenient service that customer can use a smartphone app for everything from reservation through to starting the vehicle that is available 24/7. In addition, Toho Gas customers are able to use the service at a lower cost as discounts are provided through Toho Gas electricity contracts. We will continue to provide added value through new services using digital technologies.



## TOPIC

## On-land Trout Farming with Cooperation from Nippon Suisan Kaisha, Ltd.

Through cooperation with Nippon Suisan Kaisha, Ltd., we have been engaged in a trial for on-shore Donaldson trout (a.k.a "trout salmon" in Japan) farming at Chita-Midorihamma Works in Chita, Aichi Prefecture, since November 2021. Generally, it is said to be difficult to grow Donaldson trout in seawaters with a temperature of 20°C or above, and production in the trout farms in the waters of Japan is concentrated in the period of April to June. Our aim is to offer fresh Donaldson trout in summer when the seawater temperature exceeds 20°C by using excess LNG cooling to cool the waters, which is one of our strengths.

In June 2022, the Donaldson trout cultivated in the trial was in stores under the brand name "Aichi Cool Salmon." Studies will be conducted toward commercialization to contribute to the effective use of energy, the stable supply of food, and the protection of ocean resources.





# Technology Development

## Basic Concept

Toho Gas Group is developing technologies in various fields, from high-functionality domestic equipment that contributes to pleasant and comfortable living to next-generation energy systems with a view to the realization of a sustainable society. We will continue to conduct studies to offer new value for people's lives.

## Major Development Examples from Recent Years

### Decarbonization Technology

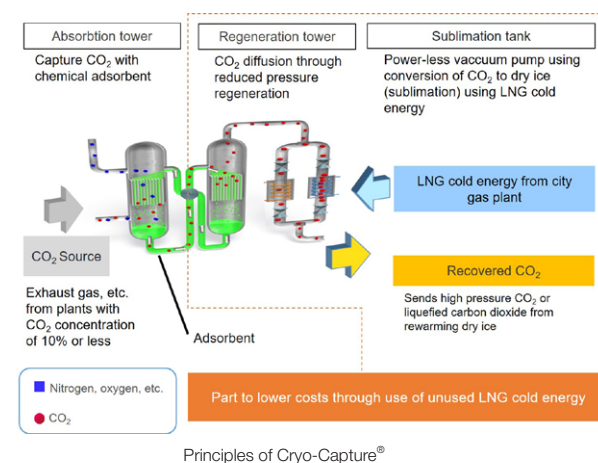
#### CO<sub>2</sub> Separation and Capture Technology Using LNG Unused Cooling

In cooperation with Nagoya University, we started the development of CO<sub>2</sub> separation and capture technology using unused LNG cooling in FY2020. The aim is to achieve the social implementation of Cryo-Capture® technology that separates and captures CO<sub>2</sub> included in exhaust gas with less energy and at a lower cost than usual by means of unused LNG cooling.

Synthetic methane, a raw material for city gas, is produced from the captured CO<sub>2</sub> and hydrogen, contributing to the decarbonization of gas itself, which forms a clean energy system.

This development, which will contribute to the realization of carbon neutrality, was selected in the NEDO (New Energy and Industrial Technology Development Organization) "Green Innovation Fund/CO<sub>2</sub> Separation and Capture Technology Development Project" in FY2022.

\* Coinage combining "cryogenics," referring to cold heat, with direct air capture (DAC) of CO<sub>2</sub> in exhaust gas, etc.



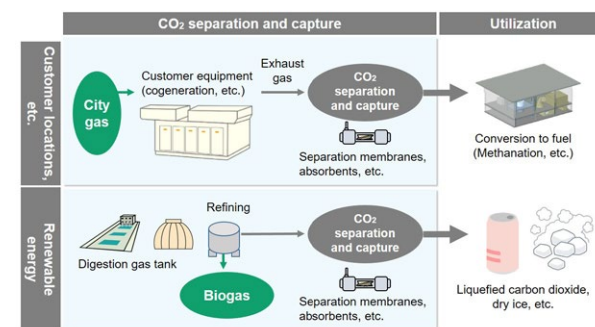
#### CO<sub>2</sub> Separation and Capture Technology Targeting Factory Exhaust Gas

Starting in FY2021, we began trials with a view toward establishing the technology for CO<sub>2</sub> separation and capture targeting exhaust gas produced at customer factories. Equipment has been installed in our Technical Research Institutes to carry out performance evaluations of systems for the separation and capture of CO<sub>2</sub> in city gas combustion exhaust gas using a compact and easy-to-use method (separation membrane\*1 and physical adsorption\*2).

In the future, we will promote alliances with other parties that have expertise and know-how regarding new materials and technologies in connection to the separation and capture of CO<sub>2</sub> while aiming for the early implementation of trials at customer factories.

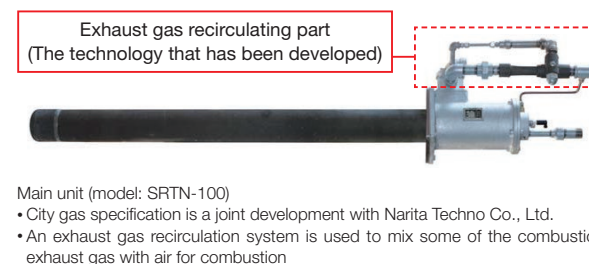
\*1 A method of separation using a membrane to selectively permeate the CO<sub>2</sub>

\*2 A method of separation using adsorption materials to selectively adsorb CO<sub>2</sub>



#### Development of Hydrogen Combustion Technology for Industrial Furnaces

We have developed hydrogen combustion technology using a single-end radiant-tube burner for city gas, which is an industrial furnace used in the process of heat treatment for the production of metallic parts for automobiles, machinery and more. The issues with hydrogen combustion due to the greater flame temperature than that of city gas include additional NO<sub>x</sub> emissions and deterioration of burner parts. Now, however, having developed a technology that optimizes the circulation of exhaust gas during hydrogen combustion, we have achieved the same level of NO<sub>x</sub> emissions and durability as city gas combustion. Furthermore, by means of the structure specification that allows the exhaust gas recirculating part to be detached and replaced on the main burner unit, it reduces the effort and cost for changing burner types when switching between city gas and hydrogen as fuel.



### Energy Management

#### Renewable Energy Aggregation

Toho Gas has been taking part in the Ministry of Economy, Trade Industry "Renewable Energy Aggregation Demonstration Project" since FY2021. In this demonstration project, various technological demonstrations are being conducted by a consortium composed of 17 companies so that renewable energy can be used as major power sources by improving renewable energy aggregation technology to control the highly-fluctuating quantity of energy generated. We are responsible for the verification of technology that monitors the power generated by solar power generation equipment and regulates storage batteries according to power generation fluctuations.

### Product Development

#### Product Development Using Crowd Funding for Test Marketing

Toho Gas is also engaged in product development using crowd funding for test marketing.

#### 1. Development of a Multifunction Pot

In June 2022, the GOUR-MEAL multifunction depressure pot went on sale. It is a depressure cooker that cooks delicious meals with ingredients' umami elements, or the basic taste sensations, in a short time to create flavorful dishes by means of depressurizing after heating the pot, also serving as a waterless cooker that condenses the delicious flavor of the ingredients without water, and as an automatic rice cooker that can be used on stovetops.



GOUR-MEAL multifunction depressure pot

#### 2. Development of Cold-protection Mat Using Solar Heat

Making use of technical know-how for acquired heat-storage, we have developed the "Trans-Warming L Mat," a cold-protection mat that can store and repeatedly use solar heat. Because it allows repeated use of natural energy, in addition to being used as an emergency preparation item, it contributes to reducing the environmental load.



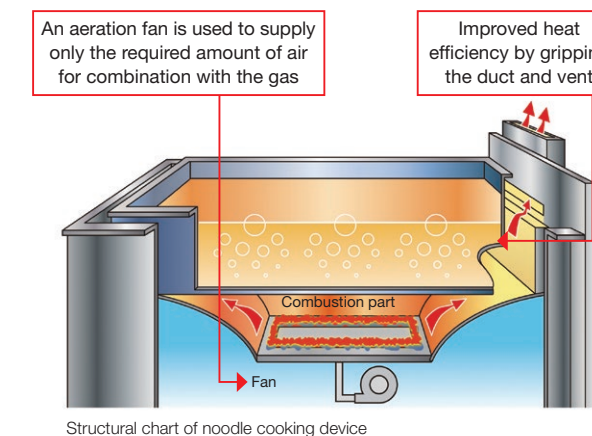
Solar heat is gathered using a solar collector and used as a heat reserve for the mat

#### Development of a New Noodle Cooking Device Equipped with a High-efficiency Burner

We have jointly developed a high-efficiency burner for use in commercial kitchens\*1 and a new noodle cooking device equipped with this burner\*2. Equipped with a burner with a superior aeration method, heat is easily conveyed to the target object by means of an improved duct and vent through which high-temperature air passes after burning. This achieves greater heat efficiency in comparison to conventional devices and reduces CO<sub>2</sub> by approx. 25%.

\*1 Joint development with SHOEI MFG Co., Ltd.

\*2 Joint development with MARUZEN Co., Ltd.

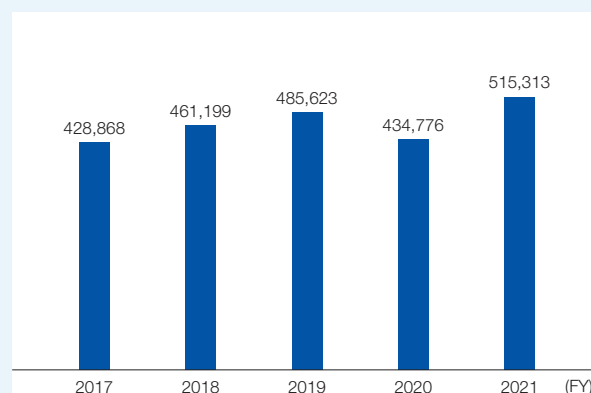


## Data Section

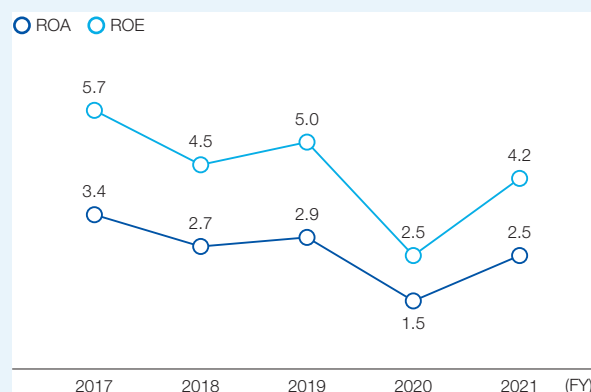
## Financial and Non-financial Highlights

## Financial Information

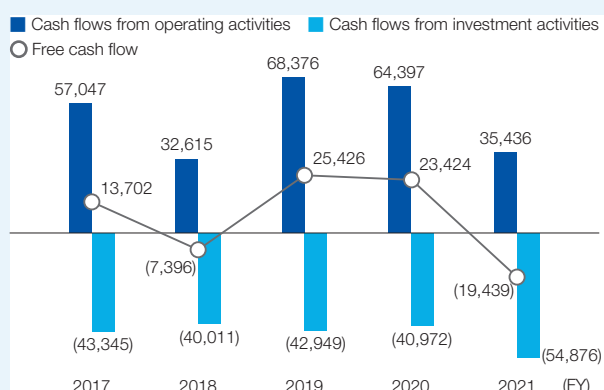
## ● Net Sales (million yen) Consolidated

Net sales **515,313** million yen

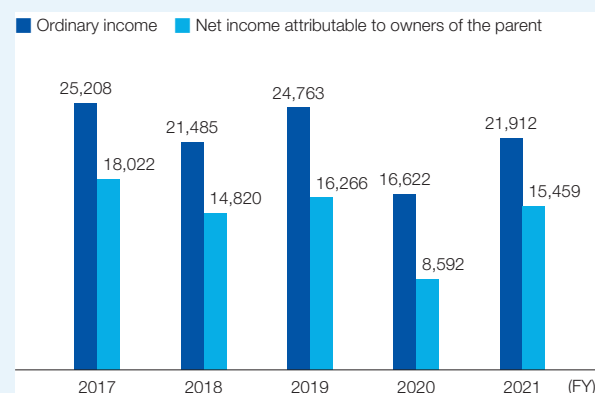
## ● ROA (Return on Asset)/ROE (Return on Equity) (%) Consolidated

ROA **2.5%** ROE **4.2%**

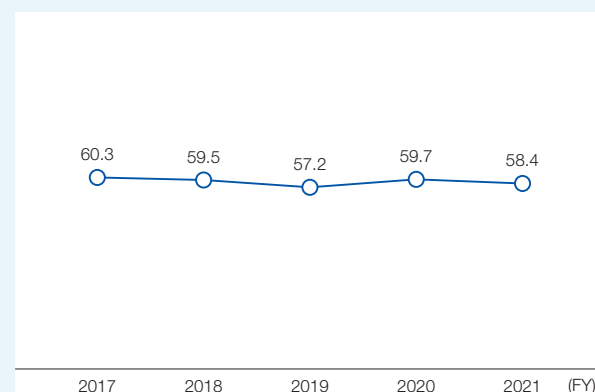
## ● Free Cash Flow (million yen) Consolidated

Net cash flow from operating activities **35,436** million yen

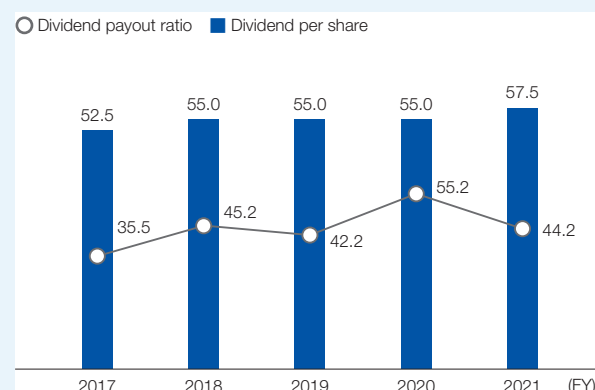
## ● Ordinary Income/Net Income Attributable to Owners of the Parent (million yen) Consolidated

Ordinary income **21,912** million yen Net income attributable to owners of the parent **15,459** million yen

## ● Equity Ratio (%) Consolidated

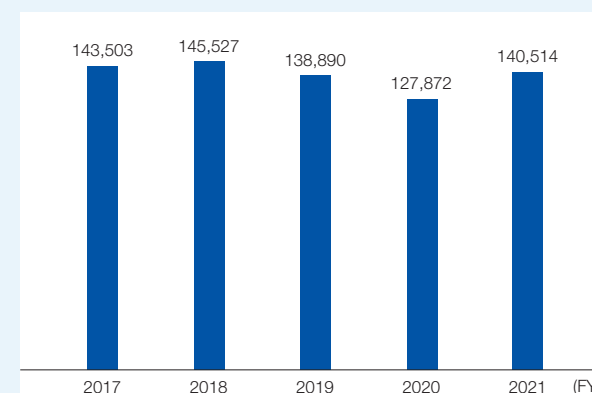
**58.4%**

## ● Payout Ratio (%) / Dividend Per Share (yen) Non-consolidated

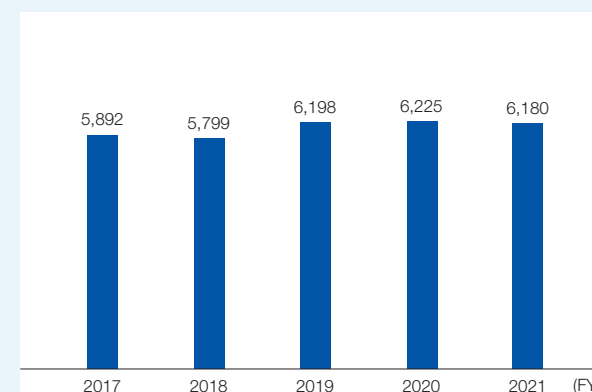
Payout ratio **44.2%** Dividend per share **57.5** yen

\* Toho Gas consolidated its shares at the ratio of 5 shares to 1 share of common stock effective October 1, 2017. Accordingly, dividend per share reflects the impact of the said consolidation of shares.

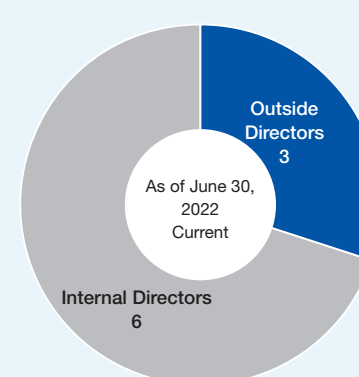
## Non-financial Information

● CO<sub>2</sub> Emissions (tonnes-CO<sub>2</sub>) Consolidated**140,514** tonnes-CO<sub>2</sub>

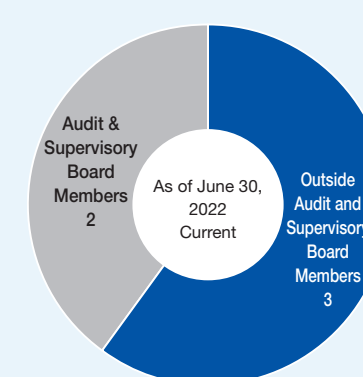
## ● Number of Employees (persons) Consolidated

**6,180**

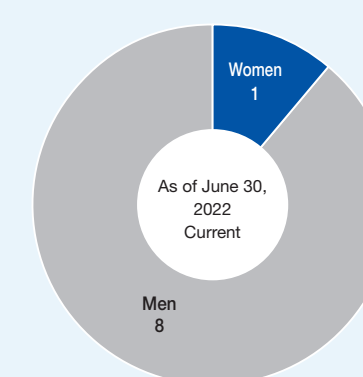
## ● Ratio of Outside Directors (%)

**33%**

## ● Ratio of Outside Audit &amp; Supervisory Board Members (%)

**60%**

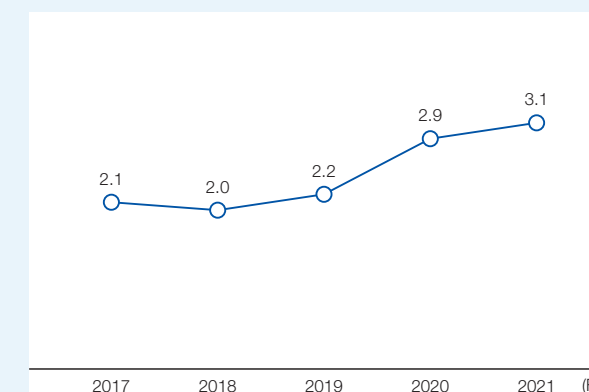
## ● Ratio of female directors (%)

**11%**

## ● Industrial Waste Generated (tonnes)/Final Disposal Waste (tonnes) Consolidated

Industrial waste generated **40,642** tonnes Final disposal waste **1,406** tonnes

## ● Female Manager Ratio (%)

**3.1%**



## Data Section

# Financial Highlights (Consolidated 10-years)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net sales (million yen)	518,305	560,462	580,984	479,870	390,433	428,868	461,199	485,623	434,776	<b>515,313</b>
Operating income (million yen)	12,621	15,751	28,760	60,725	23,188	23,984	17,831	21,351	13,515	<b>17,858</b>
Ordinary income (million yen)	13,382	17,053	29,516	61,132	24,490	25,208	21,485	24,763	16,622	<b>21,912</b>
Net income attributable to owners of the parent (million yen)	8,526	11,241	19,053	43,008	17,749	18,022	14,820	16,266	8,592	<b>15,459</b>
Net cash flow from operating activities (million yen)	40,261	37,809	62,320	114,923	37,264	57,047	32,615	68,376	64,397	<b>35,436</b>
Free cash flow (million yen)	1,903	4,792	24,480	72,727	(20,703)	13,702	(7,396)	25,426	23,424	<b>(19,439)</b>
Total assets (million yen)	504,461	509,760	543,286	555,217	532,931	541,087	550,599	564,756	601,835	<b>655,593</b>
Equity capital (million yen)	236,470	245,890	282,827	285,186	306,801	326,279	327,339	322,768	359,492	<b>382,751</b>
ROA (%)	1.7	2.2	3.6	7.8	3.3	3.4	2.7	2.9	1.5	<b>2.5</b>
ROE (%)	3.7	4.7	7.2	15.1	6.0	5.7	4.5	5.0	2.5	<b>4.2</b>
Total asset turnover (times)	1.03	1.10	1.07	0.86	0.73	0.79	0.84	0.86	0.72	<b>0.79</b>
Equity ratio (%)	46.9	48.2	52.1	51.4	57.6	60.3	59.5	57.2	59.7	<b>58.4</b>
Interest-bearing debt (million yen)	162,015	164,517	149,703	127,163	114,954	112,199	127,298	128,495	129,922	<b>140,830</b>
D/E ratio (times)	0.69	0.67	0.53	0.45	0.37	0.34	0.39	0.40	0.36	<b>0.37</b>
EPS (yen)	78.12	103.05	174.72	397.06	164.87	169.28	139.37	153.62	81.37	<b>146.66</b>
BPS (yen)	2,167.63	2,254.58	2,593.74	2,634.72	2,865.00	3,068.29	3,078.37	3,056.42	3,404.33	<b>3,641.75</b>
PER (times)	39.25	27.27	20.06	10.06	23.87	19.32	35.66	31.90	83.94	<b>18.58</b>
PBR (times)	1.41	1.25	1.35	1.52	1.37	1.07	1.61	1.60	2.01	<b>0.75</b>
Number of issued shares at the end of the term (excluding treasury stock) (thousand shares)	109,091	109,062	109,042	108,241	107,086	106,339	106,335	105,603	105,598	<b>105,100</b>
Dividend per share (yen)	45.0	45.0	47.5	50.0	50.0	52.5	55.0	55.0	55.0	<b>57.5</b>
Capital expenditures (million yen)	35,198	33,093	36,570	40,101	49,298	39,629	34,610	33,566	34,305	<b>60,381</b>
Depreciation and amortization (million yen)	36,901	35,780	33,950	32,987	35,482	35,973	36,075	37,557	37,463	<b>36,510</b>
Pipeline length (km)	28,709	28,970	29,203	29,431	29,722	30,007	30,274	30,557	30,758	<b>30,916</b>
Number of city gas customers (installed gas meters) (thousand)	2,345	2,364	2,387	2,409	2,434	2,463	2,486	2,510	2,533	<b>2,555</b>
City gas sales volume (million m <sup>3</sup> )	4,045	4,073	4,031	3,908	3,974	4,024	3,838	3,792	3,610	<b>3,613</b>
Employee numbers (people)	5,662	5,813	5,817	5,818	5,860	5,892	5,799	6,198	6,225	<b>6,180</b>

\* Figures for Number of issued shares at the end of the term and Dividend per share are on an individual basis.

\* Toho Gas consolidated its shares at the ratio of 5 shares to 1 share of common stock effective October 1, 2017. Accordingly, the dividend per share and the number of issues shares reflect the impact of the said consolidation of shares.

\* Although unaudited, financial figures in this section are based on our certified securities reports.

\* Capital expenditures include investment amounts from FY2021.

ROA = Net income attributable to owners of the parent / Total assets (average during the term) ×100  
 ROE = Net income attributable to owners of the parent / Equity capital (average during the term) ×100  
 Total asset turnover rate = Net sales / Total assets (end of the term)  
 Equity ratio = Equity capital / Total assets (end of the term) ×100  
 D/E ratio = Interest-bearing debt outstanding /Equity capital (end of the term)

EPS = Net income attributable to owners of the parent related to common shares / Average number of common shares during the term  
 BPS = Total net assets at the end of the term related to common shares / Number of issued common shares at the end of the term  
 PER = Stock price at the end of the term / Net income per share  
 PBR = Stock price at the end of the term / Net assets per share

## Data Section

## Consolidated Balance Sheets

(million yen)

	End of FY2020 (March 31, 2021)	End of FY2021 (March 31, 2022)
<b>Assets</b>		
Non-current assets		
Property, plant and equipment		
Production facilities	67,644	<b>64,266</b>
Distribution facilities	149,271	<b>145,329</b>
Service and maintenance facilities	26,368	<b>26,879</b>
Other facilities	44,506	<b>48,155</b>
Construction in progress	15,063	<b>20,989</b>
Total property, plant and equipment	302,855	<b>305,619</b>
Intangible assets		
Other	8,726	<b>10,894</b>
Total intangible assets	8,726	<b>10,894</b>
Investments and other assets		
Investment securities	101,469	<b>112,444</b>
Long-term loans receivable	7,547	<b>14,042</b>
Net defined benefit asset	13,762	<b>23,206</b>
Deferred tax assets	3,771	<b>4,015</b>
Other	15,816	<b>14,899</b>
Allowance for doubtful accounts	(110)	<b>(84)</b>
Total investments and other assets	142,256	<b>168,524</b>
Total non-current assets	453,838	<b>485,038</b>
Current assets		
Cash and deposits	40,731	<b>32,298</b>
Notes and accounts receivable-trade	51,383	<b>73,093</b>
Lease receivables and investment assets	12,848	<b>13,675</b>
Securities	10,000	<b>-</b>
Inventories	18,358	<b>21,942</b>
Other	14,897	<b>29,965</b>
Allowance for doubtful accounts	(223)	<b>(420)</b>
Total current assets	147,996	<b>170,555</b>
Total assets	601,835	<b>655,593</b>

(million yen)

	End of FY2020 (March 31, 2021)	End of FY2021 (March 31, 2022)
<b>Liabilities</b>		
Non-current liabilities		
Bonds payable	70,000	<b>50,000</b>
Long-term loans payable	49,108	<b>48,716</b>
Deferred tax liabilities	3,774	<b>9,750</b>
Provision for gas holder repairs	1,472	<b>1,291</b>
Provision for safety measures	16,782	<b>19,045</b>
Provision for gas appliance warranties	2,323	<b>620</b>
Net defined benefit liability	5,801	<b>5,919</b>
Other	10,462	<b>10,579</b>
Total non-current liabilities	159,725	<b>145,922</b>
Current liabilities		
Current portion of non-current liabilities	2,612	<b>35,664</b>
Notes and accounts payable-trade	30,158	<b>36,822</b>
Short-term loans payable	4,709	<b>2,935</b>
Income taxes payable	3,551	<b>5,949</b>
Other	41,585	<b>45,549</b>
Total current liabilities	82,617	<b>126,919</b>
Total liabilities	242,342	<b>272,842</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	33,072	<b>33,072</b>
Capital surplus	8,387	<b>8,387</b>
Retained earnings	258,850	<b>268,374</b>
Treasury stock	(40)	<b>(499)</b>
Total shareholders' equity	300,270	<b>309,335</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	45,179	<b>43,731</b>
Deferred gains or losses on hedges	6,198	<b>15,511</b>
Foreign currency translation adjustment	1,005	<b>3,252</b>
Remeasurement of defined benefit plans	6,838	<b>10,920</b>
Total other comprehensive income	59,222	<b>73,416</b>
Total net assets	359,492	<b>382,751</b>
Total liabilities and net assets	601,835	<b>655,593</b>



## Data Section

## Consolidated Statements of Income

(million yen)

	FY2020 (April 1, 2020 to March 31, 2021)	FY2021 (April 1, 2021 to March 31, 2022)
Net sales	434,776	515,313
Cost of sales	285,516	361,612
Gross profit	149,260	153,701
Selling, general and administrative expenses	135,745	135,843
Operating income	13,515	17,858
Non-operating income		
Interest income	305	210
Dividend income	2,059	2,228
Rent income	697	693
Miscellaneous income	1,474	2,119
Total non-operating income	4,537	5,252
Non-operating expenses		
Interest expenses	744	726
Equity in investment losses	187	-
Miscellaneous expenses	498	471
Total non-operating expenses	1,430	1,198
Ordinary income	16,622	21,912
Extraordinary income		
Gain on sales of investment securities	1,440	-
Total extraordinary income	1,440	-
Extraordinary loss		
Impairment loss	4,730	583
Total extraordinary loss	4,730	583
Net income before income taxes	13,331	21,329
Income taxes-current	5,060	4,895
Income taxes-deferred	(320)	975
Total income taxes	4,739	5,870
Net income	8,592	15,459
Net income attributable to owners of the parent	8,592	15,459

## Consolidated Statements of Comprehensive Income

(million yen)

	FY2020 (April 1, 2020 to March 31, 2021)	FY2021 (April 1, 2021 to March 31, 2022)
Net income	8,592	15,459
Other comprehensive income		
Valuation difference on available-for-sale securities	15,389	(1,448)
Deferred gains or losses on hedges	9,610	9,275
Foreign currency translation adjustment	(1,223)	1,680
Remeasurement of defined benefit plans	9,886	4,090
Share of other comprehensive income of entities accounted for using equity method	305	595
Total other comprehensive income	33,968	14,193
Comprehensive income	42,561	29,653
Comprehensive income attributable to		
Owners of the parent	42,561	29,653
Non-controlling interests	-	-

## Data Section

## Consolidated Statements of Cash Flows

(million yen)

	FY2020 (April 1, 2020 to March 31, 2021)	FY2021 (April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Net income before income taxes	13,331	21,329
Depreciation and amortization	37,463	36,510
Impairment loss	4,730	583
Gain on sales of investment securities	(1,440)	-
Increase (decrease) in provision	971	500
Interest and dividend income	(2,364)	(2,438)
Interest expenses	744	726
Decrease (increase) in notes and accounts receivable-trade	6,727	(21,709)
Decrease (increase) in inventories	5,553	(3,583)
Increase (decrease) in notes and accounts payable-trade	6,741	6,696
Other	(1,924)	(1,740)
Subtotal	70,535	36,874
Interest and dividend income received	2,366	2,438
Interest expenses paid	(756)	(720)
Income taxes paid	(7,748)	(3,156)
Net cash provided by (used in) operating activities	64,397	35,436
Cash flows from investment activities		
Purchases of non-current assets	(34,305)	(39,032)
Proceeds from sales of non-current assets	25	25
Purchase of investment securities	(3,798)	(4,486)
Proceeds from sales of investment securities	1,468	320
Purchase of subsidiaries accompanying change of scope of consolidation	-	(5,920)
Payments of loans receivable	-	(5,715)
Other	(4,363)	(68)
Net cash provided by (used in) investment activities	(40,972)	(54,876)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,153)	(1,774)
Proceeds from long-term loans payable	14,905	2,781
Repayment of long-term loans payable	(13,801)	(2,889)
Proceeds from issuance of bonds	-	9,947
Purchase of treasury stock	(29)	(1,608)
Cash dividends paid	(5,807)	(5,809)
Other	123	(12)
Net cash provided by (used in) financing activities	(6,764)	635
Effect of exchange rate change on cash and cash equivalents	(95)	370
Net increase (decrease) in cash and cash equivalents	16,564	(18,432)
Cash and cash equivalents at beginning of year	33,979	50,543
Cash and cash equivalents at end of year	50,543	32,110

# External Opinion and Evaluation

## Expert Opinion



**Eiichiro Adachi**  
Senior Counselor  
The Japan Research Institute,  
Limited

### Achieving the New Vision Based on the Increasing Interest in Publicness

In the Toho Gas Group Vision announced in March this year, I noticed that the image of the business portfolio for the mid-2030s was clarified: With the company's core business of city gas and LPG as its earnings base, the company will focus on investing management resources in strategic business. It also clarified the directionality for hydrogen as "Build a hydrogen supply chain in the region," and "Create demand for hydrogen in the fields of mobility, heat sector, etc." In the Message from the President, it was noted that the most important point of discussions was

whether the company is to pursue the growth of the company as a conventional energy operator, or to try new initiatives with a view toward new possibilities in the future. The past strengths of the company must be utilized toward achieving the Vision.

On the other hand, there is great concern about the stability of energy supply in Japan due to changes in the global situation right now. While we recognize that business is built on the foundations of peace, it is difficult for a single company to exert any influence toward resolving military conflicts between nations. However, there is an ever-greater significance to having a corporate stance that aims for a society in which people can live in a safe and secure environment without discrimination or violence. That is why the publicness of energy operators is again coming into question. Greater importance will be placed on considerations for the socially vulnerable groups in the provision of services.

I believe that the energy system reforms stated by the government should be appropriately and flexibly reviewed. The country will soon begin investigating new corporate models with respect to public and private roles. I hope that Toho Gas Group will take various measures toward system application and governance that conforms to the new Vision.

## Main Evaluations by External Agencies

FTSE4Good Index Series	Newly selected as constituent in 2022
FTSE Blossom Japan Index	Newly selected as constituent in 2022
FTSE Blossom Japan Sector Relative Index	Newly selected as constituent in 2022
MSCI Japan ESG Select Leaders Index	Continues to be selected as constituent since 2017
MSCI Japan Empowering Women Index (Select)	Continues to be selected as constituent since 2017
SOMPO Sustainability Index	Continues to be selected as constituent since 2012

S&P/JPX Carbon Efficient Index	Continues to be selected as constituent since 2018
CDP Climate Change 2021	Received an A- rank evaluation (B-rank evaluation from D- to A)
CDP Water Security 2021	Received an A- rank evaluation (B-rank evaluation from D- to A)
Nikkei SDGs Management Survey 2021	Acquisition of 4-star overall rating
Certified Health & Productivity Management Outstanding Organization (White 500)	Continues to be certified since 2020
"Eruboshi" Certification	Certified since 2021
"Kurumin" Certification	Certified since 2018

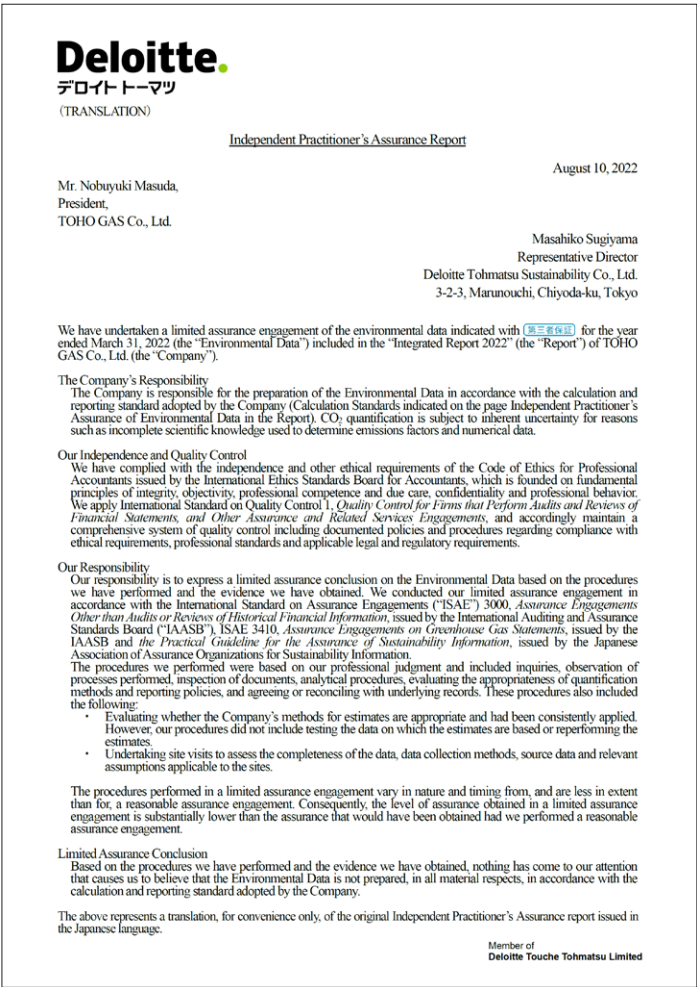
## Major External Awards

Name	Main sponsor	Target	Joint award winner
Energy Conservation Grand Prize 2021 Agency for Natural Resources and Energy Chairperson's Prize	The Energy Conservation Center, Japan	Minato AQUUS smart energy network that aims for energy-saving through co-creation among suppliers and users	Mitsui Fudosan Co., Ltd., Mitsui Fudosan Residential Co., Ltd., Toho Real Estate Co., Ltd., Nikken Sekkei Ltd., Nikken Sekkei Research Institute, Takenaka Corporation
Cogeneration Award 2021 Grand Prize Award	Advanced Cogeneration and Energy Utilization Center Japan	New cogeneration system in waste treatment facilities that serve as regional bases Example of Implementation in Kitanagoya plant in City of Nagoya	Nippon Steel Engineering Co., Ltd.

## Independent Practitioner's Assurance of Environmental Data

Toho Gas Group has received independent practitioner's assurance of environmental data from Deloitte Tohmatsu Sustainability Co., Ltd. in order to increase the reliability of such. Since first acquiring independent practitioner's assurance in FY2002, Toho Gas has worked to improve the reliability of environmental data, expanding the coverage of the value chain and the scope of data included.

### Independent Practitioner's Assurance Report



#### [Assurance Scope in the Integrated Report 2022]

FY2021 environmental data includes CO<sub>2</sub> emissions, industrial waste generated and final disposal waste.  
The Japanese version of the data marked with [第三者保証](#) on this booklet is assured by an independent practitioner.

#### Calculation Standards

- CO<sub>2</sub> emissions=Energy consumption × CO<sub>2</sub> emission factor – Carbon credit
- CO<sub>2</sub> Emission Factors pursuant to the Act on Promotion of Global Warming Countermeasures or such. "Adjusted emission factors" of each electricity supplier are used for purchased electricity.
- Industrial waste generated and final disposal waste: Calculated based on the Waste Management and Public Cleansing Act.

#### [Assurance Scope in the ESG Data - Environmental Data 2022]

FY2021 environmental data includes greenhouse gases (CO<sub>2</sub> equivalent), energy consumption (electricity, gas, and other fuels), waste, water consumption and discharge, resource usage amounts (LNG and LPG), sales volumes (city gas, LPG, heat, and electricity), etc.

The Japanese version of the data marked with [第三者保証](#) or ☒ in the ESG Data - Environmental Data 2022 indicates the data is assured by an independent practitioner.

#### [ESG Data - Environmental Data 2022]

Details of environmental data are available on our website below.



#### ● ESG Data - Environmental Data 2022

<https://www.tohogas.co.jp/lang/en/approach/eco/eco-10/environmentdata.pdf>

### Acquisition of Assurance

Our major business sites including city gas plants, headquarters, and subsidiaries with significant environmental loads underwent examinations of assurance for energy usage, waste, water consumption and discharge, and, from the perspective of environmental load in the value chain, sales volume of city gas, LPG, heat, electricity, and CO<sub>2</sub> emissions from procurement and use of our products by customers.

In response to COVID-19, we devised ways using a combination of face-to-face surveys and web conferences to carry out the surveys.

We will continue to work on the enhancement of data reliability and augmented disclosure of the Toho Gas Group's environmental information.



Interview with senior management



# Company Overview (as of March 31, 2022)

As an energy operator based in the three-prefecture Tokai region, which enjoys a concentration of manufacturing industries, Toho Gas has succeeded in growing and developing together with the region.

Name	TOHO GAS CO., LTD.
Date of Foundation	June 26, 1922
Head Office	19 -18, Sakurada-cho, Atsuta-ku, Nagoya, Aichi 456-8511, Japan
Main Businesses	<ul style="list-style-type: none"><li>Gas business</li><li>Heat supply business</li><li>Electricity business</li><li>Acquisition and purchasing of energy resources, such as natural gas</li></ul>
Capital stock	33,072 million yen
Number of employees	2,702 (6,180 on a consolidated basis)

● Major Business Sites and Plants

Name	Location
Head Office	Nagoya, Aichi
Technical Research Institute	Tokai, Aichi
Okazaki Office	Okazaki, Aichi
Gifu Office	Gifu, Gifu
Tsu Office	Tsu, Mie
Chita Production Department	Chita, Aichi
Yokkaichi Works	Yokkaichi, Mie



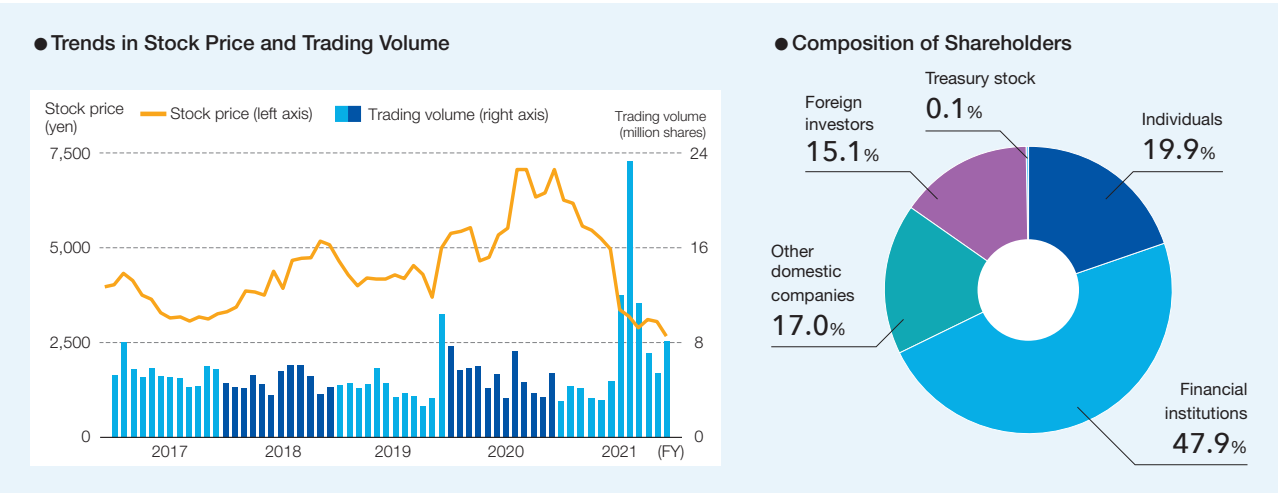
## Stock Information

Securities code	9533
Fiscal Year	April 1 to March 31 of the following year
Annual Shareholders Meeting	June every year
Stock Exchange Listing	Tokyo Stock Exchange, Nagoya Stock Exchange
Administrator of Shareholders' Register and Special Account Management Institution	Mitsubishi UFJ Trust and Banking Corporation
Contact	Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation 1-1 Nikko-cho, Fuchu, Tokyo, Japan
Number of Shares per Unit	100 shares
Number of Shares Authorized to Be Issued	160,000,000 shares
Number of Issued Shares	105,256,285 shares (including treasury stock 155,339 shares)
Number of Shareholders	23,583

● Major Shareholders

Name of Shareholder	Number of Shares Held (Thousand)	Percentage of Share Ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust a/c)	13,404	12.75
Nippon Life Insurance Co.	5,854	5.57
Custody Bank of Japan, Ltd. (Trust a/c)	3,793	3.60
Sumitomo Mitsui Banking Corp.	3,304	3.14
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,872	2.73
The Dai-ichi Life Insurance Co., Ltd.	2,402	2.28
Toho Gas Group Employees Shareholding Association	2,088	1.98
Meiji Yasuda Life Insurance Co.	1,841	1.75
Toho Gas Kyoei Shareholding Association	1,490	1.41
Kubota Corporation	1,439	1.36

\* Percentage of share ownership is calculated by the number of shares excluding treasury stock (155,339 shares).



\* We consolidated common shares at a ratio of five shares to one share on October 1, 2017. Accordingly, the stock price and trading volume figures reflect the impact of the consolidation of shares.

## Group Companies

	Company name	Capital stock (million yen)	Major Businesses
Gas Business	Toho Gas Network Co., Ltd.	5	Gas Appliance Sales and Related Construction
	Toho Gas Customer Service Co., Ltd.	50	Trustee business of reading gas meter and collecting charges in gas business
	Toho Gas Techno Co., Ltd.	45	Construction of gas pipes, paving and road repair Sales and installation of gas equipment etc.
LPG and Other Energies	Mizushima Gas Co., Ltd.	225	Gas and LPG business in Kurashiki City, Okayama
	Toho Liquefied Gas Co., Ltd.	480	LPG business, sales of coke and petroleum products
	TOEKI CUSTOMER SERVICE Co., Ltd.	75	Trustee business of reading gas meter and collecting charges in LPG business
	Toeki Kyokyu Center Co., Ltd.	50	Trustee business of delivery and maintenance service in LPG business
	Waseda Gas Co., Ltd.	10	LPG business
	Yamasa Sohgyou Co., Ltd.	96	LPG business, design and construction of residential extension and alteration, residential equipment sales, manufacturing and sales of home delivery water
	Yamasa Kyowa Life Co., Ltd.	72	LPG business, design and construction of residential extension and alteration, residential equipment sales, sales of home delivery water
Electricity business	Sirius Solar Japan 63 GK	0	Electricity business
Other Businesses	Toho Real Estate Co., Ltd.	821	Leasing and management of real estate, management of sports facilities etc.
	Toho Gas Engineering Co., Ltd.	100	Design, construction, and maintenance of gas production plant equipment and comprehensive utility service business
	Toho Gas Living Co., Ltd.	85	Sales of housing equipment, design and construction of residential buildings, expansion and renovation
	Toho Gas Information System Co., Ltd.	80	System engineering and management and data processing services
	Toho Service Co., Ltd.	48	Car sales, lease and maintenance, leasing of equipment item, insurance agency, and travel agency
	Toho LNG Shipping Co., Ltd.	300	Lending of LNG ships
	Toho Reinetsu Co., Ltd.	90	LNG cooling/high-pressure gas sales, trustee business of low-temperature grinding treatment
	Toho Gas Safety Life Co., Ltd.	40	Trustee business of gas equipment safety management, management of ENEDO, Toho Gas stores
	Gas Living Mie Co., Ltd.	10	Design and construction of residential extension and alterations, management of ENEDO, Toho Gas stores, and sales of residential equipment
	Yokkaichi Air Conditioning Engineering Co., Ltd.	50	Installation and O&M of air-conditioning equipment
	Yamasa Co., Ltd.	5	General management of Yamasa Group companies that conduct LPG business, etc.
	Yamasa yu-land Ltd.	5	Managing of bathing facilities
	Yamasa Service Co., Ltd.	5	Trustee business for Yamasa Group companies general affairs and accounting
	Toho Gas Australia Pty Ltd	192 million USD	Natural gas related development and investment
	Toho Gas Ichthys Pty Ltd	94 million USD	Natural gas related development and investment
	Toho Gas Ichthys Development Pty Ltd	87 million USD	Natural gas related development and investment
	Toho Gas Canada Ltd.	51 million USD	Natural gas related investment

\* On April 1, 2022, Toho Gas general gas pipeline work was transferred to Toho Gas Network Co., Ltd. by means of a corporate split.

## Our Websites

● Investor Relations Initiatives for ESG

<https://www.tohogas.co.jp/lang-n/en/corporate/>



● Initiatives for ESG

<https://www.tohogas.co.jp/lang/en/approach/eco/>

