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The corporate governance of Nippon Gas Co., Ltd. (the "Company") is described below.

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

1. Basic Views

The Company has formulated the management philosophy below, and strives to build trusting relationships with its stakeholders, such as shareholders, consumers, employees and local communities, in order to raise corporate value over the medium to long term. To realize its management philosophy, the Company also works to build an effective corporate governance system to ensure sound business practices.

1. Contributing to Local Communities

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

2. Aiming for Sustainable Corporate Growth

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

3. Holding Human Resources in High Regard

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

[Reasons for not implementing the principles of the Corporate Governance Code]

The Company implements all of the principles of the Corporate Governance Code.

[Disclosure based on the principles of the Corporate Governance Code]

[Principle 1.4] Cross-Shareholdings

From the standpoint of maintaining and strengthening stable, long-term and cooperative business relations with partners, the Company has a policy of holding shares as cross-shareholdings when it determines that doing so will contribute to raising the corporate value of the NICHIGAS Group over the medium to long term. These holdings are examined periodically from the above standpoints, and consideration is given to reducing or disposing of holdings based on whether the interests of raising the corporate value of the Group are being served in the medium to long term by maintaining the holdings. In exercising our voting rights with regard to shares held as cross-shareholdings, we vote in favor of proposals that we deem as contributing to raising the share price and our corporate value, and oppose proposals seen as harming the share price and our corporate value.

[Principle 1.7] Related Party Transactions

When the Company engages in transactions with its directors/officers or major shareholders, it obtains the approval of the Board of Directors as necessary, in accordance with the Companies Act and other related laws and ordinances, and internal regulations including the Board of Directors Regulations. In deciding whether to approve such transactions, the Board of Directors confirms the appropriateness of the transaction, such as whether it is similar to ordinary transaction conditions, and the economic viability.

When approval of the Board of Directors is received and the transaction is carried out, the details of the transaction are reported at Board of Directors meetings in accordance with the Companies Act and other related laws and ordinances, and internal regulations including the Board of Directors Regulations. This provides an oversight structure to dispel concerns about possible harm to the Company and the common interests of shareholders. Currently there are no related party transactions between the Company and its directors/officers.

[Principle 3.1] Ensuring Appropriate Disclosure and Transparency

The Company proactively provides information in the following areas.

1) Business principles, business strategies, and business plans are disclosed and explained on the Company website, in financial statement explanatory materials, in General Meeting of Shareholders materials, and at financial results briefings. For specifics, see the Management Philosophy page (http://www.nichigas.co.jp/en/corporate/) for business principles, the Message from the President (http://www.nichigas.co.jp/en/ir/management/) for business strategies, and financial statement explanatory materials (http://www.nichigas.co.jp/en/ir/library/) for business plans. Note that the business plans do not indicate specific target figures for medium-to-long-term earnings. Since those targets are subject to significant change due to possible alliances with other energy operators as energy deregulation proceeds, only earnings forecasts based on the most current businesses are disclosed.

2) Basic views and guidelines on corporate governance are disclosed in the *Yukashokenhokokusho* (securities report).

3) In determining the compensation of directors and mandate-based executive officers, in line with internal standards a portion of the monthly compensation is linked to operating income in the previous fiscal year, while the compensation of each director and mandate-based executive officer is decided based on assessment by third-party experts based on the results of their performance of duties in the previous fiscal year and other factors. Regarding stock compensation, a BIP Trust plan was introduced for allocating shares of Company stock to each director and mandate-based executive officer to make them share the stock value with shareholders.

4) When nominating a director candidate or a mandate-based executive officer candidate, the President makes a recommendation to the Board of Directors based on a comprehensive judgment of the candidate's management knowledge and skills and on performance assessments made at the time of compensation decisions. A final decision is made by deliberation of the Board of Directors, following explanations of the reasons for the recommendation by the President. When nominating a corporate auditor candidate, the President makes a recommendation to the Board of Corporate Auditors based on a comprehensive judgment of the candidate's experience and knowledge. After the consent of the Board of Corporate Auditors has been received, the reasons for the recommendation are explained before the Board of Directors, which deliberates and makes a final decision.

5) Reasons for nominating candidates as outside directors and outside corporate auditors, including their career summaries, are disclosed in reference materials accompanying the notice of convocation of the General Meeting of Shareholders. The reference materials provided with the notice of convocation of the 61st Ordinary General Meeting of Shareholders are posted on the Company website under IR News (http://www.nichigas.co.jp/ir/ir_event/meeting.html) (in Japanese only). Personal career histories of mandate-based executive officers are given in the Annual Report).

[Principle 4.1] (Responsibilities of the Board of Directors)

The Company defines the matters to be referred to the Board of Directors in Internal Regulations on Referral to the Board of Directors, and those matters are deliberated and resolved by the Board of Directors. Specific matters include nomination of director candidates, decisions on director compensation, matters relating to overall corporate strategy, and investments or loans above a certain amount. In deliberating and resolving these matters, the Board of Directors fulfills its function of overseeing the execution of duties by directors.

As the Company proceeds with the transfer of authority to responsible divisions, decisions on matters not covered by the Internal Regulations on Referral to the Board of Directors are left up to the responsible person in each division, based on the Administrative Authority Regulations.

[Principle 4.8] (Effective Use of Independent Directors)

From the standpoint of enhancing Board of Directors supervisory functions, the Company has appointed two independent outside directors, with both of them being registered with the Tokyo Stock Exchange as independent directors.

[Principle 4.9] (Independence Standards and Qualification for Independent Directors)

The independence criteria adopted by the Company are in line with those set by the Tokyo Stock Exchange. Valuing active discussions at Board of Directors meetings, the Company selected as independent outside directors two persons with different backgrounds. One of them is a highly experienced certified public accountant and the other has experience in investment and lending and is familiar with overseas business practices.

Moreover, as outside corporate auditors, the Company selected a person familiar with the Gas Utility Industry Law, an academic expert familiar with law in general, and a highly experienced certified public accountant.

[Supplementary Principle 4.11.1] (View of the Abilities and Diversity of the Board of Directors as a Whole)

The Company's Board of Directors consists of directors with responsibilities in the areas of sales, finance, human resources, capital policy, overseas business, safety management, planning, and general affairs, directors responsible for general oversight, and outside directors with extensive knowledge of accounting and finance, capital policy and other matters. The Board of Directors currently consists of 13 members, which the Company believes to be an appropriate size for prompt and effective decision-making and ongoing supervision.

In selecting directors, the President recommends to the Board of Directors candidates thought to be suitable as directors based on their experience and insight, the Board of Directors decides whether to appoint them, and approval is obtained at the General Meeting of Shareholders.

[Supplementary Principle 4.11.2] (Status of Concurrent Posts Held by Directors and Corporate Auditors)

No directors of the Company other than outside directors serve as officers of other listed companies. When outside directors or corporate auditors serve concurrently as officers of other listed companies, this is disclosed in the *Yukashokenhokokusho* (securities report) and other materials; in addition, as the number of concurrent posts is kept within reasonable limits, we judge that the holding of concurrent posts does not represent a problem for fulfilment of duties as an officer of the Company.

[Supplementary Principle 4.11.3] (Self-Evaluation of the Effectiveness of the Board of Directors)

Each year, the directors of the Company perform self-evaluations of their own performance, on the basis of which they are interviewed and evaluated by independent experts. The Board of Directors undergoes an evaluation every six months by a Management Evaluation Committee, consisting of three independent outside experts, regarding their management of the Group including management policy. Based on the above self-evaluation by each director and evaluation by the Management Evaluation Committee, each year the Board of Directors conducts an analysis and assessment of the effectiveness of the Board of Directors as a whole, and discloses a summary of the results. The summary for the Board of Directors for the year ending March 31, 2016 will be disclosed around June 2016 following the evaluation by the Management Evaluation Committee in May 2016.

[Supplementary Principle 4.14.2] (Policy for Training of Directors and Corporate Auditors)

The Company believes that directors should acquire the necessary information and expertise as officers by making use of outside training and other means, for which the Company bears the expenses as a support measure. Training sessions concerning compliance are also given at least once a year by legal advisors. In addition, a few directors each year are sent to high-level specialized training institutes to improve their professional skills as future top executives. To enable outside directors to fulfill their functions adequately, the Company provides each outside director with suitable ongoing opportunities for acquiring the necessary knowledge concerning the Group's business, finances and organization. Corporate auditors are members of the Japan Audit & Supervisory Board Members Association and take part in the training provided by that Association.

[Principle 5.1] (Policy for Constructive Dialogue with Shareholders)

At the Company, the director in charge of IR is responsible for seeing that requests from shareholders or investors for dialogue are met forthrightly by each director including the President.

The Company has a Financial Strategy Department (IR) headed by an executive officer. This department reports directly to the President, and is organized to receive support concerning finance, business, law and other areas, including from affiliated companies. In addition to interviews, financial results briefings are held twice a year, and videos of the sessions are made available on the Company website (IR News at http://www.nichigas.co.jp/en/ir/ir_news/). Investors are also invited to attend

business briefings held at various times. Shareholder and investor opinions and management issues learned through IR activities are properly reported to senior management and the Board of Directors, and are used to improve management.

2. Capital Structure

Percentage of shares held by foreign investors Less than 10%

[Principal Shareholders]

Name of Shareholder	Number of Shares Held	Shareholding Ratio (%)
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement benefits trust account re-entrusted by Mizuho Trust & Banking Co., Ltd.	1,604,000	3.30
The Nomura Trust and Banking Co., Ltd. (Retirement benefits trust account at The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	1,350,000	2.77
Japan Trustee Services Bank, Ltd. (Trust Account)	1,282,200	2.64
Sumitomo Mitsui Banking Corporation	1,180,938	2.43
Aioi Nissay Dowa Insurance Co., Ltd.	1,164,820	2.39
Nippon Life Insurance Company	994,720	2.04
The Nomura Trust and Banking Co., Limited (Retirement benefits trust account at Mitsubishi UFJ Trust and Banking Corporation)	830,000	1.70
The Musashino Bank, Ltd.	802,714	1.65
Sumitomo Mitsui Finance and Leasing Company, Limited	735,000	1.51
The Master Trust Bank of Japan, Ltd.	713,700	1.46

Controlling shareholder (except for parent company): —
Parent company: None

Supplementary Explanation

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3. Corporate Attributes

Stock exchange and section of listing:	Tokyo Stock Exchange, First Section
Fiscal year end:	March
Type of business:	Retail business
Number of employees (consolidated) at the end of the previous fiscal year:	More than 1,000
Net sales (consolidated) in the previous fiscal year:	More than ¥100 billion and less than ¥1 trillion
Number of consolidated subsidiaries at the end of the previous fiscal year:	Less than 10

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

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5. Other Special Circumstances That May Materially Affect Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems Related to Decision-Making, Execution of Business and Oversight of Management

1. Organizational Structure and Operation

Organization Form: Company with Corporate Auditors

[Directors]

Maximum number of directors stipulated in Articles of Incorporation:	15
Term of office of directors stipulated in Articles of Incorporation:	2 years
Chairman of the Board of Directors:	President
Number of directors:	13
Election of outside directors:	Elected
Number of outside directors:	2
Number of outside directors designated as independent directors:	2

Relationships with the Company (1)

Name	Attribution	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Takashi Ide	Comes from another company											
Tetsuo Kawano	Comes from another company								△			

*Categories for "Relationship with the Company"

*○ indicates that the director currently falls or has recently fallen under the category.

△ indicates that the director fell under the category in the past.

*● indicates that a close relative of the director currently falls or has recently fallen under the category.

▲ indicates that a close relative of the director fell under the category in the past.

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of the parent company of the Company
c. Executive of a fellow subsidiary of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the Company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
g. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier of the Company (which does not correspond to d, e or f) (applicable to the director only)
i. Executive of a company where there is a relationship of an outside director being mutually appointed (applicable to the director only)
j. Executive of a company or organization that receives donations from the Company (applicable to the director only)
k. Other

Relationships with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Takashi Ide	✓	——	Mr. Ide was selected as a candidate based on the Company's judgment that he is suitable for the post of outside director of the Company because he has expertise in accounting and financial matters as a certified public accountant. In addition, the Company designated Mr. Ide as an independent director because it judged him to have no potential conflict of interest with general shareholders based on his background.

Tetsuo Kawano	✓	Mr. Tetsuo Kawano worked at Sumitomo Mitsui Banking Corporation (SMBC), a creditor of the Company, in the past. The Nippon Gas Group had outstanding borrowings of ¥10,481 million from SMBC as of March 31, 2015. SMBC is a shareholder of the Company, but its shareholding ratio is 3.4% of the Company's total outstanding shares (excluding treasury shares), and more than 10 years have elapsed since Mr. Kawano left SMBC. Therefore, the Company does not believe that the relationship between the Company and SMBC will have any effect on Mr. Kawano's fulfilment of his duties.	Mr. Tetsuo Kawano was selected as a candidate based on the Company's judgment that he is suitable for the post of outside director of the Company because he worked for many years in a financial institution, and has extensive insight not only in finance but also in overseas business. In addition, the Company designated Mr. Kawano as an independent director because it judged him to have no potential conflict of interest with general shareholders based on his background.

Voluntary establishment of committee(s) equivalent to nominating committee or remuneration committee: No

[Corporate Auditors]

Establishment of Board of Corporate Auditors:	Established
Maximum number of corporate auditors stipulated in Articles of Incorporation:	4
Number of corporate auditors	4

Cooperation among Corporate Auditors, Accounting Auditor and Internal Audit Divisions

The Company has established the Audit Office, which handles internal audits. The Board of Corporate Auditors consists of four corporate auditors (including three outside corporate auditors), who attend meetings of the Board of Directors and hold meetings of the Board of Corporate Auditors regularly and as necessary. Corporate auditors also conduct operational audits by having the full-time corporate auditor attend important meetings and by reviewing approval documents.

Furthermore, the corporate auditors cooperate with the Internal Control System Committee, Compliance Committee and Risk Management Committee, and also cooperate with the accounting auditor in other ways such as receiving reports on the contents of accounting audits from the accounting auditor and exchanging information.

Appointment of outside corporate auditors:	Appointed
Number of outside corporate auditors:	3
Number of outside corporate auditors designated as independent auditors:	3

Relationships with the Company (1)

Name	Attribution	Relationship with the Company (*)										
		a	B	c	d	e	f	g	h	i	j	k
Shojiro Sakamoto	Other											
Gen Nose	Certified public accountant											
Tsuyoshi Yamada	Academic											

*Categories for "Relationship with the Company"

*○ indicates that the individual currently falls or has recently fallen under the category.

△ indicates that the individual fell under the category in the past.

*● indicates that a close relative of the individual presently falls or has recently fallen under the category.

▲ indicates that a close relative of the individual fell under the category in the past.

a. Executive of the Company or its subsidiaries

b. Non-executive director or accounting advisor of the parent company of the Company
c. Non-executive director or executive of the parent company of the Company
d. Auditor of the parent company of the Company
e. Executive of a fellow subsidiary of the Company
f. Party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a corporate auditor
i. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier of the Company (which does not correspond to d, e or f) (applicable to the corporate auditor only)
k. Executive of a company where there is a relationship of an outside corporate auditor being mutually appointed (applicable to the corporate auditor only)
l. Executive of a company or organization that receives donations from the Company (applicable to the corporate auditor only)
m. Other

Relationships with the Company (2)

Name	Independent Corporate Auditor	Supplementary Explanation of the Relationship	Reasons for Appointment
Shojiro Sakamoto	✓	——	The Company believes that Mr. Sakamoto can make useful suggestions regarding the Company's management because he has extensive experience and broad knowledge and insight in the gas industry. The Company has designated him as an independent corporate auditor because it judged him to have no potential conflict of interest with general shareholders based on his background.
Gen Nose	✓	——	Mr. Nose is the representative of Tokyo Financial Accounting Corporation. He was appointed as a corporate auditor of the Company because he has a strong background in accounting and taxation matters from his professional position as an accountant, and has acute insight in corporate management. The Company has designated him as an independent corporate auditor because it judged him to have no potential conflict of interest with general shareholders based on his background.
Tsuyoshi Yamada	✓	——	Mr. Yamada is a professor at Seijo University, Faculty of Law, and the Company believes that he can apply his expertise and insight to strengthen its audit system. The Company has designated him as an independent corporate auditor because it judged him to have no potential conflict of interest with general shareholders based on his background.

[Independent Officers]

Number of independent officers: 5

Other Matters Related to Independent Officers

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[Incentives]

Measures implemented for incentives to directors: Performance-linked compensation program and others

Supplementary Explanation

The Company decided to introduce a performance-linked component to base compensation starting in July 2015 to strengthen the incentive of eligible directors to improve performance. In addition, the Company has introduced a BIP Trust plan as stock-based compensation for directors and mandate-based executive officers to make them share the stock value with shareholders.

Recipients of Stock Options

Supplementary Explanation

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[Director Compensation]

Disclosure of individual directors' compensation: The Company does not disclose individual compensation.

Supplementary Explanation

The Company sets compensation of directors within the total amount resolved at the General Meeting of Shareholders, and discloses the total amount.
Total amount of remuneration paid to directors in the previous fiscal year: 14 directors, ¥270 million

Establishment of guidelines for determining the amount and calculation method of compensation: Yes

Disclosure of Guidelines for Determining the Amount and Calculation Method of Compensation

In determining the compensation of directors and mandate-based executive officers, in line with internal standards a portion of the monthly compensation is linked to operating income in the previous fiscal year, while the compensation of each director and mandate-based executive officer is decided based on assessment by third-party experts based on the results of their performance of duties in the previous fiscal year and other factors. Regarding stock compensation, a BIP Trust plan was introduced for allocating shares of Company stock to each director and mandate-based executive officer to make them share the stock value with shareholders.

[Support System for Outside Directors and/or Outside Corporate Auditors]

The Company has no full-time staff for outside directors, but the General Affairs Department provides support.

2. Matters Related to Functions of Business Execution, Auditing and Supervision, Nomination and Compensation Decisions (Overview of Corporate Governance System)

Overview of Current System

1. Business Execution System

The Company's Board of Directors holds regular monthly meetings to make decisions on important matters and monitor the directors' execution of their duties.

The Management Planning Conference attended by the heads of each division is held monthly to make expeditious decisions on fundamental issues and important matters for the purpose of improving business execution and management efficiency.

2. Management Evaluation Committee

The Company has set up a Management Evaluation Committee, whose members are outside experts independent of the Board of Directors, to strengthen governance functions by requesting objective opinions from outside the Company regarding the Company's measures for maintaining and enhancing corporate value and the common interests of shareholders. The Board of Directors reports to the Management Evaluation Committee once every six months on measures for maintaining and enhancing corporate value and the common interests of shareholders, including management's basic

policies and their implementation. The Management Evaluation Committee evaluates those reports and issues recommendations; the Board of Directors then works to improve the matters pointed out by the Management Evaluation Committee.

With this approach, the Company strives to make measures by the Board of Directors for maintaining and enhancing corporate value and the common interests of shareholders more effective by maintaining management transparency and securing a balance between medium-to-long-term management and returns to shareholders.

3. Audit Structure

The Board of Corporate Auditors consists of one full-time corporate auditor and three outside corporate auditors. The corporate auditors attend the monthly meetings of the Board of Directors in order to ascertain important decision-making processes and the execution of duties. In addition to meetings of the Board of Directors, the full-time corporate auditor also attends important meetings, including those of the Executive Committee, Management Planning Conference, Internal Control System Committee and Compliance Committee, and cooperates with each committee.

People who have a high degree of independence from the Board of Directors and are familiar with corporate management and the gas and energy industry, or have expertise in areas such as finance and accounting and the Companies Act, are appointed as outside corporate auditors. With the structure outlined above, the Company works to ensure the effectiveness of audits and strengthen auditing functions.

Corporate auditors and the accounting auditors exchange information and ideas on audits, and cooperate with each other in performing their audits.

Names of certified public accountants who performed the accounting audits (audit firm they belong to and number of consecutive years of audits):

Kiyoshi Asada (Kyoritsu Audit Corporation, 4 years), Tomokazu Tanaka (Kyoritsu Audit Corporation, 1 year)

Five certified public accountants and one junior accountant are involved in the accounting audits as assistants.

3. Reasons for Selecting the Current Corporate Governance System

The Company is working to strengthen oversight of management with the following:

- Appointing three outside corporate auditors to monitor execution of duties from an outside perspective.
- Establishing the Management Evaluation Committee consisting of outside experts to conduct semi-annual evaluations on management policies and their implementation.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanation
Scheduling of General Meeting of Shareholders to avoid the peak day	The Ordinary General Meeting of Shareholders was held on June 25, 2015, the day before the peak day. The Company intends to avoid the peak day next year and thereafter as well.

2. IR Activities

	Supplementary Explanation	Briefing by Representative
Regular briefing for analysts and institutional investors	Briefings on financial results were held in November 2014 and May 2015.	Yes
Posting of IR materials on website	Financial documents and materials for shareholders are available on the Company's website.	
Establishment of department and/or manager in charge of IR	The Financial Strategy Department (IR) serves as a point of contact.	

3. Measures for Respecting the Positions of Stakeholders

	Supplementary Explanation
Provisions for respecting the positions of stakeholders in the Company's internal regulations	To enable sustainable growth from a medium- to-long-term perspective, the Company believes that conducting its operations based on the management philosophy previously formulated and announced by the Company's management and having its performance evaluated by shareholders help clarify the accountability of management. Accordingly, the Company has formulated and announced its management philosophy, "The NICHIGAS Group Management Philosophy: Aiming for Sustainable Growth."
Implementation of environmental protection and CSR activities	With LP gas, city gas and community gas as its core businesses, the Company supplies gas energy in a safe, reliable and inexpensive manner to approximately 1.1 million households throughout the Kanto region based on its network of gas pipelines stretching 6,000 kilometers. By providing the attributes of gas energy, including convenience, economic efficiency, energy saving and environmental friendliness, the Company contributes to raising the value of local communities. At the same time, the Company is working with unwavering determination to develop the foundations for sophisticated, high-quality operations in natural gas (LNG, LPG, NGH, CNG, etc.) as a leader in the era of hydrogen energy exemplified by fuel cells, the ultimate future energy source. Furthermore, the Nippon Gas Group will take advantage of its distinctive community-based residential business to actively engage in local disaster prevention and community activities through collaboration with services of other types of businesses, including government services. By doing so, the Group will strengthen its CSR initiatives, which encompass corporate governance and compliance.

IV. Matters Related to the Internal Control System

1. Basic Views on the Internal Control System and Progress in Improving the System

(Basic Views on Internal Control System)

The Company bases its management on its management philosophy, which includes contribution to local communities, sustainable corporate growth and high regard for human resources. It has set up the Internal Control System Committee chaired by the President as an organization that comprehensively structures effective corporate governance and internal controls in order to realize the Company's management philosophy, and has established the following system.

(1) System for Ensuring That Directors' and Employees' Execution of Duties Conforms with Laws and Regulations and the Company's Articles of Incorporation

The Company has established the Compliance Committee chaired by the Head of General Management Administration Headquarters as the organization controlling all compliance matters. To promote compliance, the Company has instituted related manuals and provides instruction to officers and employees through training and other means so that they consider compliance as their own problem and perform their work accordingly.

In addition, the Company has set up a system for consultation and reporting with a hotline that officers and employees can use to notify the General Manager of the Human Resources Department when they become aware of an existing or potential compliance violation within the Company. The Company keeps details of the report confidential and ensures that no retaliatory action is taken against whistleblowers.

The Company has adequate systems in place, primarily in General Management Administration Headquarters, to ensure that internal controls over financial reporting comply with the Companies Act, the Financial Instruments and Exchange Act, the regulations of the Tokyo Stock Exchange and other applicable laws and regulations.

(2) System for Storing and Managing Information Related to Execution of Directors' Duties

The Company stores and manages information based on laws and internal regulations, with the Head of General Management Administration Headquarters having overall responsibility and the General Affairs Department handling administrative duties. Directors and corporate auditors may access the stored and managed information as necessary. The Company also has guidelines and a personal information protection policy in place to address information security.

(3) Regulations and Other Systems to Manage Exposure to Risk

The Company has established the Risk Management Committee chaired by the Managing Director in charge of the Energy Management Department as the organization controlling risk management. In the case of a crisis, the Company as a whole will implement crisis management measures in accordance with the Risk Management Policy. In normal times, the Risk Management Committee assesses the risks the Company is exposed to, determines policies for dealing with them, educates employees about the risks that should be controlled, and creates frameworks for mitigating those risks. As the unit directly responsible for managing risks related to safe and stable supply, the Energy Management Department has organized emergency measures for safety, environmental protection and distribution and conducts annual drills and other activities to prepare for disasters.

(4) System to Ensure That Directors' Execute Their Duties Efficiently

The Company's Board of Directors holds regular monthly meetings to make decisions on important matters and oversee the directors' execution of their duties. The Management Planning Conference attended by the heads of each division is held monthly to make expeditious decisions on fundamental issues and important matters for the purpose of improving business execution and management efficiency.

The Company has organized the Management Evaluation Committee consisting of independent experts. The committee holds regular meetings once every six months and works to maintain effective governance by seeking advice from and reporting to the President.

As for business operations, the Company prepares annual budgets and management plans based on the expected future business environment, and sets overall targets. Each division plans and executes concrete measures to achieve those targets.

In addition, the Company has frameworks that enable management's policies to be quickly communicated to employees, including having the President engage in dialogue with all employees through face-to-face interviews.

(5) Systems to Ensure Sound Business Practices in the Group

The Group has organized the Group Managers' Conference consisting of presidents of Group companies to set overall policies. The Group Managers' Conference meets once every three months, and has its secretariat in the General Affairs Department.

For information storage and management, risk management and compliance systems in the Group as a whole, the Company consults with and provides advice to Group companies on their periodic reports on their businesses and on important issues while respecting their autonomy.

2. Basic Policy on Elimination of Antisocial Forces and Progress of Improvement

(1) Basic Policy on Elimination of Antisocial Forces

The Company states in the Compliance Committee Regulations that its policy is to refuse any association with any antisocial forces that threaten the order and safety of society and to take a firm stance against their unreasonable demands.

(2) Progress of Improvement

Guidelines for action against antisocial forces are presented in the Compliance Manual, and the Company provides instruction to officers and employees through training and other means so that they consider compliance as their own problem and perform their work accordingly.

The Company also maintains close cooperative relationships with legal advisory services and other specialized external agencies, and responds systematically to unreasonable demands from antisocial forces, with the General Affairs Department coordinating the response.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of anti-takeover measures: Adopted

	Supplementary Explanation

(Purpose of Adoption)

As a gas operator, the Company strives to raise its corporate value by setting financial and business policies from a long-term perspective, and by building trusting relationships with consumers, local communities and other stakeholders.

The Company has therefore adopted anti-takeover measures, as it believes that stock purchases by entities that dislike this way of thinking and threaten to destroy the trusting relationships with stakeholders and damage the Group's corporate value, and ultimately the common interests of shareholders, are not appropriate.

(Summary of the Scheme)

The Company formulated rules for judging whether or not a proposal for purchase or purchase action that would result in a shareholding ratio of 20% or more of the Company's total outstanding shares (excluding treasury shares) by a specific shareholder group falls under an acquisition type that would be detrimental to the corporate value and the common interests of shareholders of the Company. If it is judged that a proposal for purchase or a purchase action would be detrimental in this respect, share options subject to call will be allotted without consideration as a countermeasure for the purpose of maintaining and improving the corporate value and the common interests of shareholders.

For details of the anti-takeover measures, see the Company website (http://www.nichigas.co.jp/en/ir/pdf/PlanForImprovingCorprateValue.pdf)

2. Other Matters Related to the Corporate Governance System

The internal system for timely disclosure of Company information is described below.

1. Basic Policy on Timely Disclosure of Company Information
   - The Company strives to ensure that Company information that could have a significant impact on investment decisions is disclosed to all shareholders and investors in a timely, appropriate and impartial manner.
   - Accordingly, the Company has internal regulations (insider trading regulations) to control material facts to restrict insider trading with respect to the handling material information that is subject to timely disclosure but is also subject to insider trading restrictions. For other information subject to timely disclosure, the Company has established a system to enable the people responsible for managing information to cooperate with the heads of the responsible departments for timely and appropriate disclosure.
2. Internal System for Timely Disclosure of Company Information
   - The Vice President and Head of General Management Administration Headquarters, who is responsible for managing information under the Company's internal regulations, attends meetings of the Board of Directors and other important meetings to ascertain decisions and events that fall under timely disclosure information conditions stipulated in the timely disclosure rules.
   - People responsible for managing information strictly manage information that they ascertain to be important timely disclosure information in order to prevent issues including leakage.
   - Of the timely disclosure information, financial and accounting-related information is the responsibility of the General Manager of the Financial Department, and other information is the responsibility of the General Manager of the General Affairs Department.
   - The specific content of timely disclosure information to be publicly released and the timing of its release are drafted after discussions among the people responsible for information management, the General Manager of the General Affairs Department and the General Manager of the Financial Strategy Department, and the final decision is made by the Board of Directors. In an emergency situation, the decision will be made by a representative director.
   - For information of Group companies, a framework has been set up to enable such information to be ascertained in a timely and appropriate manner through the Group Managers' Conference and other means.