(Appendix)

Business Report

(April 1, 2015 to March 31, 2016)

1. Current State of the Consolidated Group

(1) Development and performance, etc. of the business of the consolidated group

In the energy industry, with the retail sale of electricity fully liberalized on April 1 this year, stiff competition to acquire customers has already begun as a result of entries from other industries and various package discount deals with products from different industrial sectors.

In addition, the retail sale of city gas is also scheduled to be fully liberalized in April next year, and this move is expected to further intensify competition across industries and accelerate the realignment of the energy industry.

In light of these circumstances, the Company believes it to be crucially important to offer new convenience in energy services to customers while assuring safety and stable supply. To this end, the Company concluded, effective on October 5, 2015, a business partnership agreement with Tokyo Electric Power Company, Incorporated, on the combined sales of electricity and gas. At present, the Group is concentrating all its energies on acquiring customers in the combined sales based on this agreement.

The Company also considered the urgent need for strengthening its financial base, expanding its customer base and improving operational efficiency in the gas business, in order to survive amidst a rapidly changing business environment. Accordingly, the Company has raised funds amounting to ¥19,400 million, through disposal of treasury shares in December 2015 by way of overseas offering.

As a new service to customers, the Company has developed the Nichigas Protect Member Service, “Ookina Osewa (assistance more than expected),” which combines 10-year extended warranty for all gas appliances with on-site service (free service for troubles relating to plumbing, etc.), jointly with Tokio Marine & Nichido Fire Insurance Co., Ltd. Through this service, the Company has launched a menu of services to extensively support the daily lives of contracted customers, and the number of contracts has currently surpassed 14,000.

Going forward, the Company will strive to develop into an integrated energy company to be chosen by customers and promote its branding strategies, while being committed to developing attractive price menus and value-added services applying the knowledge and expertise acquired from overseas investments in the U.S. and Australia, which are in a harsh market environment because of the advancing liberalization of the retail sale of energy.

The new operational system linking cloud technology and mobile devices is already in operation at the Company, greatly contributing to enhancing the quality of and reducing costs for operations such as meter reading, delivery and security. The Company deems the system to be the most important tool for synergy in efficiently running business collaborations with other companies and will actively invest in the renewal of the system so that it supports price menus, etc., which are expected to become diversified in the future.

Furthermore, the Company will make active prior investments in the areas including ICT, IoT, and Fintech which will be important tools for reducing costs and providing new convenience to customers in future business development.

The number of customers of the Group steadily increased by 45,000 households, compared with the end of the previous fiscal year, to 1,153,000 households as of the end of the current fiscal year.

For the current fiscal year, consolidated net sales amounted to ¥114,691 million, a year-on-year decrease of 8.8%, due to factors such as the decreased unit sales price led by decreased raw material prices, in addition to a decrease in gas sales volume compared to the previous fiscal year due to the impact of warm winter, despite a steady increase in the number of customers.

In terms of profit, operating income increased by 17.9% year-on-year to ¥11,810 million, ordinary income increased by 20.2% year-on-year to ¥11,331 million, and profit attributable to owners of parent increased by 28.3% year-on-year to ¥7,090 million. Operating income and ordinary income reached record highs for the fifth consecutive fiscal year. These increases were attributable to factors such as lower raw material prices compared with the previous fiscal year resulting in a decrease in cost of sales, despite an increase in personnel costs accompanied by the introduction of a new personnel system aimed at providing incentives to employees who contributed to the improvement of business performance and at creating a rewarding workplace

Business performance by segment for the current fiscal year is as follows:

[LP Gas Business]

In the LP gas business, although the sales volume of home use LG gas increased slightly thanks to a steady growth in the number of customers, unit sales price fell, in addition to a decrease in sales volume of business use LP gas compared with the previous fiscal year mainly due to the impact of warm winter. Owing to these factors, net sales for the current fiscal year decreased by ¥5,079 million (7.0% decrease) year-on-year to ¥67,099 million.

[City Gas Business]

In the city bas business, net sales for the current fiscal year decreased by ¥5,962

million (11.1% decrease) year-on-year to ¥47,592 million, reflecting low levels of unit sales prices of natural gas due to the gas rate adjustment system, in addition to decreased sales volume of home use gas compared with the same period of the previous fiscal year due to factors such as the impact of warm winter.

(2) Capital investment

During the current fiscal year, the Group made capital investments with a focus on the gas business, in order to create a stable and rational system for the supply of LP gas and city gas, and to handle new demand.

The main targets of investment included: construction of two new depots by the Company; construction of pipelines in the Kasukabe-shi/Koshigaya-shi area, etc. by Tosai Gas, Inc. (Saitama Prefecture); construction of pipelines in the Kuki/Kitamoto area, etc. by Shinnihon Gas Corporation (Saitama Prefecture); construction of pipelines in the Toride/Abiko area, etc. by Higashinihon Gas Corporation (Ibaraki and Chiba Prefecture); and construction of pipelines in the Oyama/Kanuma area, etc. by Kitanihon Gas Co., Ltd. (Tochigi Prefecture).

As a result, the Groups' capital investments totaled ¥12,375 million.

These investments were mainly self-financed.

(3) Financing

During the current fiscal year, the Company raised funds totaling ¥19,444 million through disposal of treasury shares by way of overseas offering.

(4) Changes in assets and profit/loss

Classification	FY2012	FY2013	FY2014	FY2015 (Current fiscal year)
Net sales	Million yen 117,070	Million yen 126,833	Million yen 125,733	Million yen 114,691
Ordinary income	Million yen 8,189	Million yen 9,193	Million yen 9,427	Million yen 11,331
Profit attributable to owners of parent	Million yen 3,774	Million yen 9,464	Million yen 5,528	Million yen 7,090
Profit per share	Yen 78.01	Yen 220.93	Yen 148.26	Yen 190.71
Total assets	Million yen 124,958	Million yen 123,496	Million yen 123,910	Million yen 139,097
Net assets	Million yen 53,016	Million yen 44,831	Million yen 34,969	Million yen 60,316
Net assets per share	Yen 832.11	Yen 1,017.92	Yen 1,006.67	Yen 1,412.96

(Notes) 1. Profit per share and net assets per share are calculated exclusive of treasury shares (5,877,635 shares).
2. Profit per share is calculated based on the average number of issued shares during the current fiscal year; net assets per share are calculated based on the number of issued shares at the end of the current fiscal year.
3. On September 14, 2015, the Company introduced the "Directors' Compensation BIP (Board Incentive Plan) Trust," and the shares in the Company held by this trust are treated as treasury shares. Consequently, the average number of treasury shares during the current fiscal year excluded from the calculation of profit per share was 156,853, and the number of treasury shares at the end of the current fiscal year excluded from the calculation of net assets per share was 291,300.

(5) Principal subsidiaries

Company name	Capital	Parent ownership	Principal business
	Millions of yen	%	
Tosai Gas, Inc.	450	100	City gas supply business
Higashinihon Gas Corporation	400	100	Same as above
Shinnihon Gas Corporation	400	100	Same as above
Kitanihon Gas Co., Ltd.	400	100	Same as above
Nihongas Koji, Inc.	100	99.00	Piping work business
Nippon Gas Unyuseibi Co., Ltd.	24	99.00	Transport business

(Note) No subsidiaries meet the criteria for a specified wholly owned subsidiary.

(6) Issues to be addressed

The environment surrounding the energy industry has changed significantly along with the liberalization of the electricity industry. Moves including the business merger of major oil refiner-distributors and alliance between major providers beyond the borders of electricity and gas have been announced successively. In addition, with the liberalization of the city gas business scheduled to commence in April next year, the full liberalization of energy will start.

The Company has long anticipated the advent of a period of fierce competition in the energy industry. As such, the Company has substantially increased customers through proactive structural reforms and enhancement of marketing skills in the LP gas business, an area of liberalization, while steadily making preparations since 2011 including taking initiatives in the energy retail sales business in the U.S. and Australia, where liberalization is advanced. With the support of demanding consumers in the fully liberalized energy market, the Company will aim to achieve sustained improvement of corporate value as a consequence. This fiscal year marks the final year before the full liberalization of the city gas industry. In order to comply with stakeholders' entrustment, the Company will tackle the following issues to be addressed as it completes many years of preparation for liberalization.

1. Initiatives for expanding customer base

The Company will continue expanding its customer base with focus on general households. The Company recognizes that the full liberalization of the electricity and city gas industries will serve as a major tailwind, providing a good opportunity to significantly increase the number of customers more than ever from this year. To this end, the Company will prepare for the liberalization of city gas next fiscal year through a partnership with TEPCO Energy Partner, Incorporated and further broaden the contact point with customers through the combined sales of existing gas and electricity. In addition, the Company views the intensification of competitive markets as a good opportunity for the Company, which conducts efficient business operation, to carry out M&As which create synergy. Based on this view, the Company plans to aggressively pursue M&As and substantially invest funds from shareholders through the disposal of treasury shares in December 2015 in the expansion of such customer base.

2. Further advancement of ICT

The Company has proactively incorporated ICT with a view to enhancing the quality of security and efficiency of business. Business operations based on the Kumonouchusen cloud system realizes competitive gas tariffs and high profitability of business through reduction of unnecessary intermediate costs. The Company believes that ICT is the key to

surviving competition on the merits which will intensify in the future. As such, the Company, without being satisfied with the status quo, intends to proactively incorporate advanced ICT as represented by artificial intelligence, Fintech, and Blockchain into operations in promoting higher quality and more efficient business.

3. Changing the mindset of city gas business

The Company is a LP gas retailer as well as a city gas business operator at Group companies. The city gas retail business will be fully liberalized in April 2017, thereby ushering in severe competition on the merits in the city gas business as well. In response to such liberalization, the Company has been making preparations including converting Group city gas companies into wholly owned subsidiaries and integrating the group operation, accounting and management systems. For the purpose of completing such preparations this year, the Company will vigorously push ahead with changing the mindset of employees and with structural reforms by shifting operations to the cloud in response to fierce post-liberalization competition.

4. Promotion of corporate governance and dialogue with shareholders

The Company recognizes that, as a publicly traded company, the support of its shareholders is indispensable to corporate growth. Based on this recognition, the Company has vigorously promoted various measures to strengthen corporate governance including increasing outside directors, adopting performance-linked compensation for directors, etc., and abolishing the directors' retirement benefits. Going forward, the Company, without being satisfied with the status quo, will continue to push ahead with reform aimed at building corporate governance that constantly responds to the demands of the times. In addition, placing a strong emphasis on in depth, constructive dialogue with shareholders, the Company will further conduct proactive investor relations activities in Japan and abroad with the involvement of representative directors as well.

(7) Principal businesses (as of March 31, 2016)

The Group supplies LP gas, city gas, and community gas, sells gas appliances and other products, and operates related businesses. The Group's main businesses are listed below.

Business	Products
LP Gas	LP gas, community gas, gas appliances, housing equipment and appliances, air-conditioning equipment, ordered construction (construction of gas supply equipment, construction of water supply and drainage sanitary equipment, remodeling and renovation), replacement gas cylinders for Sales/Service Offices and lighters, aerosol products (cosmetics, quasi-drugs, household products, construction products, automotive products), gas cartridge cooking stoves, land, pre-built homes, insurance agency, sundries
City Gas	City gas, gas equipment, housing equipment and appliances, air-conditioning equipment, ordered construction contracting (construction of gas supply equipment, remodeling and renovation)

(8) Principal sales/service offices and plants (as of March 31, 2016)

1) Principal sales/service offices and plants of the Company

Headquarters	Yoyogi, Shibuya-ku, Tokyo
Sales/Service Offices	Kiyose Sales/Service Office (Tokyo), Asahi Sales/Service Office (Kanagawa Prefecture), Omiya Sales/Service Office (Saitama Prefecture), Nagareyama Sales/Service Office (Chiba Prefecture), Tsuchiura Sales/Service Office (Ibaraki Prefecture), Utsunomiya Sales/Service Office (Tochigi Prefecture), Kofu Sales/Service Office (Yamanashi Prefecture), Mishima Sales/Service Office (Shizuoka Prefecture) and other 52 Sales/Service Offices
Plants	Tanashi Plant (Tokyo), Machida Plant (Tokyo), Toride Plant (Ibaraki Prefecture), Shiga Plant (Shiga Prefecture), Kofu Plant (Yamanashi Prefecture), Chiba Plant (Chiba Prefecture), Saitama Plant (Saitama Prefecture), Tsukui Plant (Kanagawa Prefecture)

2) Principal subsidiaries and offices

Tosai Gas, Inc.	Headquarters	Koshigaya-shi, Saitama Prefecture
	Office	Kasukabe-shi, Saitama Prefecture
Higashinihon Gas Corporation	Headquarters	Toride-shi, Ibaraki Prefecture
	Office	Abiko-shi, Chiba Prefecture
Shinnihon Gas Corporation	Headquarters	Kitamoto-shi, Saitama Prefecture
	Office	Kuki-shi, Saitama Prefecture
Kitanihon Gas Co., Ltd.	Headquarters	Oyama-shi, Tochigi Prefecture
	Office	Kanuma-shi, Tochigi Prefecture
Nihongas Koji, Inc.	Headquarters	Shibuya-ku, Tokyo
Nippon Gas Unyuseibi Co., Ltd.	Headquarters	Nishitokyo-shi, Tokyo

(9) Employees (as of March 31, 2016)

1) Employees of the consolidated group

Number of employees	Change from March 31, 2015
1,517 (331)	Increase of 14 (increase of 29)

(Note) The number of employees represents the number of full-time employees. The average numbers of part-time and fixed-term employees over the current fiscal year are noted in parentheses.

2) Employees of the Company

Number of employees	Change from March 31, 2015	Average age	Average service years
734 (174)	Increase of 6 (increase of 14)	36.2 years	10 years

(Note) The number of employees represents the number of full-time employees. The average numbers of part-time and fixed-term employees over the current fiscal year are noted in parentheses.

(10) Major lenders (as of March 31, 2016)

Lenders	Amount of borrowings
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥10,938 million
Mizuho Bank, Ltd.	¥10,484 million
Sumitomo Mitsui Banking Corporation	¥8,776 million

2. Stock Information (as of March 31, 2016)

(1) Total number of shares authorized to be issued 179,846,100 shares

(2) Total number of shares issued 48,561,525 shares (including 5,586,335 shares of treasury shares)

(3) Number of shareholders 4,733

(4) Major shareholders

Name of shareholders	Number of shares held	Shareholding ratio
MSCO CUSTOMER SECURITIES	2,706,410	6.3%
Japan Trustee Services Bank, Ltd. (Trust Account)	1,960,400	4.6%
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	3.7%
The Nomura Trust and Banking Co., Limited (Retirement benefit trust account at the Bank of Tokyo-Mitsubishi UFJ, Ltd.)	1,350,000	3.1%
Sumitomo Mitsui Banking Corporation	1,180,938	2.7%
Aioi Nissay Dowa Insurance Co., Ltd.	1,164,820	2.7%
GOLDMAN, SACHS & CO.REG	1,066,500	2.5%
Nippon Life Insurance Company	1,041,220	2.4%
The Nomura Trust and Banking Co., Limited (Retirement benefits trust account at Mitsubishi UFJ Trust and Banking Corporation)	830,000	1.9%
The Musashino Bank, Ltd.	802,714	1.9%

(Note) The Company holds 5,586,335 shares of treasury share, which are excluded from the list of major shareholders above. The Company's treasury share do not include the 291,300 shares in the Company held by The Master Trust Bank of Japan, Ltd. (Trust account) for the establishment of "Directors' Compensation BIP (Board Incentive Plan) Trust."
Percentage of ownership is calculated exclusive of treasury shares.

3. Share Options

(1) Share options held by Company executives as compensation for execution of duties

None.

(2) Share options granted to employees as compensation for execution of duties during the current fiscal year

None.

4. Corporate Officers

(1) Directors and Corporate Auditors (As of March 31, 2016)

Name	Position and responsibilities at the Company	Significant concurrent positions
Shinji Wada	President and Representative Director (General Manager, Sales Headquarters)	
Yuju Nakayama	Representative Director, Vice President of the Company (General Manager, General Management Administration)	
Daijo Watanabe	Senior Managing Director (General Manager, Energy Planning Department, Sales Headquarters (In charge of Comprehensive Energy Business Division, and Life Product Sales Department))	
Shiro Koike	Senior Managing Director (Deputy General Manager, General Management Administration and General Manager, General Affairs Department)	
Futoshi Araki	Managing Director (Branch Manager, West Kanto Branch, Energy Sales Department, Sales Headquarters)	President and Representative Director of Nippon Gas Unyuseibi Co., Ltd.
Junichi Morishita	Managing Director (General Manager, Energy Management Department and Information Technology Department, Sales Headquarters)	President and Representative Director of Nihongas Koji, Inc.
Toshiya Tanaka	Director (General Manager, Life Product Sales Department, Sales Headquarters)	
Masahiro Mukai	Director (General Manager, Energy Planning Department and Information Technology Department, Sales Headquarters (In charge of Comprehensive Energy Business Division))	
Kunihiko Kashiwaya	Director (General Manager, Overseas Business Department and Financial Strategy Department (IR), Sales Headquarters)	
Naomi Watanabe	Director (General Manager, Human Resource Department, General Management Administration)	
Toshiyasu Sakamoto	Director (General Manager, Comprehensive Energy Business Division, Sales Headquarters)	
Takashi Ide	Director	Audit & Supervisory Board Member of Japan Third Party Co., Ltd.
Tetsuo Kawano	Director	
Shohei Ohtsuki	Full-time Corporate Auditor	
Shojiro Sakamoto	Corporate Auditor	
Gen Nose	Corporate Auditor	Representative Director of Tokyo Financial Advisors Co., Ltd. Auditor of Lehman Brothers Japan INC
Tsuyoshi Yamada	Corporate Auditor	Corporate Auditor of TOP CULTURE Co., Ltd.

(Notes) 1. Messrs. Takashi Ide and Tetsuo Kawano are Outside Directors. Messrs. Takashi Ide and Tetsuo Kawano are Independent Officers who are unlikely to have a conflict of interest with general shareholders of the Company, as required by the Tokyo Stock Exchange.
2. Messrs. Shojiro Sakamoto, Gen Nose, and Tsuyoshi Yamada are Outside Corporate Auditors. Messrs. Shojiro Sakamoto, Gen Nose, and Tsuyoshi Yamada are Independent Officers who are unlikely to have a conflict of interest with general shareholders, as required by Tokyo Stock Exchange.
3. Corporate Auditor Gen Nose is a certified public accountant and tax attorney with substantial knowledge concerning finance and accounting.
4. Changes in Directors and Corporate Auditors during the current fiscal year
At the 61st Ordinary General Meeting of Shareholders, held on June 25, 2015, Messrs. Toshiyasu Sakamoto, Takashi Ide, and Tetsuo Kawano were newly elected and appointed as Directors, and Mr. Tsuyoshi Yamada was elected and appointed as Corporate Auditor.
Messrs. Tetsuo Kamagata, Fumio Terada, Ichiro Sato, and Tomonori Tsuchiya retired due to the expiration of their terms of office, and Takashi Ide retired by resignation as of the end of the 61st Ordinary General Meeting of Shareholders, held on June 25, 2015.
5. Changes in positions or responsibilities of Directors following the end of the current fiscal year
None
6. Below is a list of Executive Officers who do not concurrently hold positions as Director as of April 1, 2016

Name	Title	Position
Tetsuo Kamagata	Managing Executive Officer	Branch Manager, Central Kanto Branch
Fumio Terada	Managing Executive Officer	Branch Manager, North Kanto Branch
Ichiro Sato	Managing Executive Officer	Branch Manager, South Kanto Branch
Tomonori Tsuchiya	Managing Executive Officer	Branch Manager, East Kanto Branch
Haruki Iwatani	Managing Executive Officer	General Manager, Life Product Sales Department
Ryohei Yuasa	Executive Officer	General Manager, Energy Management Department
Akira Tadenuma	Executive Officer	Manager, Department 1, North Kanto Branch
Takehisa Shidou	Executive Officer	Manager, Department 2, North Kanto Branch
Keiichi Ozaku	Executive Officer	General Manager, Human Resource Department
Eiichi Miyamoto	Executive Officer	General Manager, Financial Department
Shinichi Kiyota	Executive Officer	General Manager, Financial Strategy Department (IR)
Kuniomi Hirata	Executive Officer	General Manager, Comprehensive Energy Business Division (In charge of TED Group)

(2) **Summary of details of limited liability agreements**

In accordance with Article 427, Paragraph 1 of the Companies Act, the Company entered into agreements with each Outside Director and Outside Corporate Auditor to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act. The maximum liability is in accordance with the total amount stipulated in Article 425, Paragraph 1 of the Companies Act.

(3) Total amount of remuneration of Directors and Corporate Auditors

Title	Number	Aggregate remuneration
Director (Outside Director)	17 (2)	¥364 million (¥5 million)
Corporate Auditor (Outside Corporate Auditor)	5 (4)	¥24 million (¥7 million)
Total	22 (6)	¥388 million (¥12 million)

(Notes) 1. The remuneration for Director does not include the salaries paid to him or her who also work as employees.
2. At the 61st Ordinary General Meeting of Shareholders held on June 25, 2015, the maximum remuneration for Directors was resolved to be ¥400 million per year (of which the remuneration for Outside Directors must be no more than ¥30 million; this amount does not include employee salaries).
The remuneration system for Directors and Corporate Auditors consists of basic remuneration, which is a fixed amount, and performance-based remuneration (from a "Directors' Compensation BIP Trust," which grants shares in the Company to Directors in accordance with business results and the Director's role each fiscal year).
3. At the 61st Ordinary General Meeting of Shareholders held on June 25, 2015, the limit amount of Corporate Auditors' remuneration was resolved to be ¥70 million per year.
4. The remuneration above includes the provision of a stock-based compensation (¥84 million to 11 Directors) and an amount equivalent to additional allowances for services consequent to the termination of the system of retirement benefits for Directors and Corporate Auditors (¥57 million to five Directors) approved at the 61st General Meeting of Shareholders held on June 25, 2015.
5. The remuneration for Directors includes the remuneration to four Directors during their terms of service who retired as of the end of the 61st Ordinary General Meeting of Shareholders held on June 25, 2015.
6. The remuneration to Corporate Auditors includes the remuneration and a retirement benefit for officers of ¥0 million paid to one Outside Corporate Auditor during his term of service who retired as of the end of the 61st Ordinary General Meeting of Shareholders held on June 25, 2015.

(4) Outside Officers

1) Relationships between major corporations where Outside Officers concurrently hold positions and the Company

- Director Takashi Ide concurrently holds the position of Audit & Supervisory Board Member at Japan Third Party Co., Ltd. There is no special relationship between the Company and this corporation.
- Corporate Auditor Gen Nose is the Representative Director of Tokyo Financial Advisors Co., Ltd. and Corporate Auditor at Lehman Brothers Japan INC. There is no special relationship between the Company and these corporations.
- Corporate Auditor Tsuyoshi Yamada is a Corporate Auditor at TOP CULTURE Co., Ltd. There is no special relationship between the Company and this corporation.

2) Major activities during the current fiscal year

· Attendance of meetings of the Board of Directors and the Board of Corporate Auditors

		Board of Directors (18 meetings held)		Board of Corporate Auditors (15 meetings held)	
		Times attended	Attendance rate	Times attended	Attendance rate
Director	Takashi Ide	14	100%	5	100%
Director	Tetsuo Kawano	14	100%	-	-%
Corporate Auditor	Shojiro Sakamoto	18	100%	15	100%
Corporate Auditor	Gen Nose	18	100%	14	93.3%
Corporate Auditor	Tsuyoshi Yamada	13	92.8%	9	90%

(Note) During the current fiscal year, the Board of Directors had 18 meetings, and the Board of Corporate Auditors had 15 meetings. At the 61st Ordinary General Meeting of Shareholders, Mr. Takashi Ide resigned his position as Corporate Auditor and was appointed as Director. Consequently, his attendance rate of board meetings is based on the 5 meetings of the Board of Corporate Auditors held between April 1, 2015 and June 25, 2015, and the 14 meetings of the Board of Directors between June 25, 2015 and March 31, 2016. Additionally, Messrs. Tetsuo Kawano and Tsuyoshi Yamada were elected and appointed as Director and Corporate Auditor, respectively, at the 61st Ordinary General Meeting of Shareholders. Consequently, the attendance rate of their respective board meetings is calculated based on the 14 meetings of the Board of Directors and the 10 meetings of the Board of Corporate Auditors held between June 25, 2015 and March 31, 2016.

3) Statements at meetings of the Board of Directors and Board of Corporate Auditors

· Director Takashi Ide has substantial prior experience with accounting and finance as a certified public accountant, and he capitalizes on his wealth of knowledge to express observations and opinions effective for Company management.

· Director Tetsuo Kawano has a wealth of knowledge of finance as well as international business through his many years working at a major financial institution, and he proactively expresses accurate opinions on the Company's financial policies and international businesses.

· Corporate Auditor Shojiro Sakamoto has a wealth of experience, broad range of knowledge and insight relating to the gas industry, and expresses observations and opinions effective for Company management.

· Corporate Auditor Gen Nose has substantial prior experience with accounting and finance as a certified public accountant, and he capitalizes on his wealth of knowledge to express observations and opinions effective for Company management.

· Corporate Auditor Tsuyoshi Yamada is a working university professor who is certified as an attorney. He expresses observations and opinions effective for Company management as needed based on his specialized knowledge and expertise.

5. **Accounting Auditors**

(1) Name Kyoritsu Audit Corporation

(2) Amount of remuneration

Total amount of remuneration to be paid to the Accounting Auditor for the current fiscal year	¥31 million
Total amount of cash and other financial benefit payable by the Company and its subsidiaries to the Accounting Auditor	¥33 million

(Notes) 1. The reason for the consent of the Board of Corporate Auditors to the remuneration of the Accounting Auditor was as follows: after confirming the status of execution of duties by the Accounting Auditor and the general level of remuneration for accounting auditors, the Board of Corporate Auditors reviewed whether the remuneration for the current fiscal year would maintain the independence of the Accounting Auditor, and was an appropriate amount for the accounting audits to be performed under an appropriate audit system and audit plan, which are in accordance with the audit environments of the consolidated group included the Company and its consolidated subsidiaries, as well as assessments of the risk of the internal control systems, etc. As a result of this review, the Board of Corporate Auditors determined that the amount of remuneration was appropriate, and consequently consented to it.

2. The audit agreement between the Company and the Accounting Auditor does not clearly distinguish the amount of remuneration for audits in accordance with the Companies Act, and audits in accordance with the Financial Instruments and Exchange Act, and it is not possible to divide the amount substantively. Consequently, the amount of remuneration for the current fiscal year shows the total of these.

3. A subsidiary pays the Accounting Auditor for a contract via agreed-upon procedures specifying services other than the services in Article 2, Paragraph 1 of the Certified Public Accountants Act.

(3) Non-audit services

The Company pays Kyoritsu Audit Corporation for the preparation of comfort letters and other services other than the services in Article 2, Paragraph 1 of the Certified Public Accountants Act.

(4) Policy for dismissal or non-reappointment of Accounting Auditor

If deemed necessary, such as in cases where the execution of duties by the Accounting Auditor has been disrupted, the Board of Corporate Auditors determines the contents of the proposal for the dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

If the Board of Corporate Auditors judges that the Accounting Auditor falls under any of the numbered Items in Article 340, Paragraph 1 of the Companies Act, it dismisses the Accounting Auditor with the consent of all Corporate Auditors. In such cases, the Corporate Auditor who has been elected by the Board of Corporate Auditors will report the fact of and the reason for the dismissal of the Accounting Auditor at the first General Meeting of Shareholders convened after the dismissal of the Accounting Auditor.

6. Systems to Ensure the Appropriate Conduct of Operations

The system to ensure that the execution of duties by Directors conforms to laws and regulations and to the Articles of Incorporation and other systems to ensure the Company's appropriate conduct of operations are as follows.

(1) Basic policy on business operations

Premising its management on the following management principles, the Company has established the Internal Control System Committee headed by the President and Representative Director as an organization to comprehensively undertake the creation of effective corporate governance and internal control systems in order to realize that management principles.

1) Contribution to communities

Using the best supply methods for local communities, the Company provides energy with a small environmental footprint at reasonable prices while guaranteeing a safe and stable supply, thereby helping its customers enjoy a more comfortable lifestyle and contributing to environmental conservation and disaster prevention activities in the local community. Furthermore, we believe that playing an active role in raising the value of the region, and fulfilling our duty to pay taxes as a member of the local community are part of our social responsibility and social contribution as a company.

2) Aiming at sustainable growth of the Group

Believing that contributing to the local community and expanding our customer base will further strengthen our management base, we strive to increase corporate value in the long term by securing reasonable profit and making efficient investments. Furthermore, we work to increase shareholders' value through the continuous and stable payment of dividends and creation of an internal control system.

3) Respect of human resources

The Company considers employees and other human resources as vital assets supporting the enterprise. Practicing management in such a way that employees can develop their abilities to the fullest so as to provide closely attentive and detailed service to customers is an essential element in sustainable corporate growth. The happiness of employees, business partners, and their families is an indispensable part of the foundation of such management, and we seek to increase that happiness in the way we run our business.

(2) System to ensure that execution of duties by Directors and employees conforms to laws and regulations and the Articles of Incorporation

The Company establishes a Compliance Committee headed by the General Manager, General Management Administration, as an organization to supervise overall compliance.

With regard to the promotion of compliance, a manual has been prepared, and officers and employees are instructed through training and other measures to consider compliance as an issue for themselves in their respective positions as they engage in business operations.

In addition, the Company set up a helpline as a consulting and reporting system, and stipulates that officers and employees are to report to an outside attorney or the Audit Office if they notice any action that violates compliance being committed or going to be committed within the Company. The Company keeps the content of reports confidential, and does not engage in any disadvantageous treatment of the reporter.

The Company does not have any relations with antisocial forces that threaten the order and safety of society, and takes a resolute stance against illegal demands from antisocial forces.

With regard to internal control related to financial reporting, an adequate system is created, centered on General Management Administration, in order to ensure conformity with the Companies Act, the Financial Instruments and Exchange Act, Tokyo Stock Exchange Rules, etc.

(3) System for storage and management of information related to execution of Directors' duties

The Company stores and manages information based on laws and regulations and internal rules, with the General Manager, General Management Administration, as the centrally responsible officer, and the General Affairs Department as Secretariat.

Directors and Corporate Auditors can view the stored and managed information as needed.

In addition, the Company has established guidelines on information security and a basic policy on protection of personal information, and handles information accordingly.

(4) Regulations and other systems concerning loss risk management

The Company has established the Risk Management Committee, headed by the Managing Director overseeing the Energy Management Department, as an organization to supervise risk management. In case of emergency, the Company shall respond as a whole and carry out risk management according to the Risk Management Regulations.

During normal times, the Risk Management Committee evaluates risks facing the Company and decides on a response policy. Employees are thoroughly educated about risks that need to be controlled, and a system is created to mitigate those risks. The Energy Management Department, from the viewpoint of its expertise as the organization with exclusive jurisdiction over risks to safe and stable supply, organizes emergency safety systems with respect to safety, environment, and logistics, and carries out yearly drills and other activities in case of a disaster.

(5) System to Ensure Efficient Execution of Duties by Directors

The Company holds regular meetings of the Board of Directors every month to make decisions on important matters and to supervise the status of business execution by Directors, etc. In order to enhance business execution and management efficiency, the Management Planning Conference, attended by heads of each department, meets every month, and flexibly carries out decision-making related to basic matters and important matters.

The Company strives to maintain effective governance by organizing the Management Evaluation Committee made up of independent experts, which holds regular meetings once in each half of the fiscal year and submits reports upon receiving advice from the President and Representative Director.

With regard to operation of business, the Company drafts a management plan and yearly budgets based on the future business environment, and sets company-wide targets. Each division drafts and implements concrete measures to achieve those targets.

Furthermore, the Company creates a system in which management's policies, etc., can be communicated swiftly to employees through measures including dialogue in which the President and Representative Director personally talks directly to all employees.

(6) System to ensure the appropriate conduct of operations in the consolidated group (hereinafter, the "Group") comprising the Company and its subsidiaries.

1) System regarding reports to the Company on matters related to execution of duties by Directors, etc., of subsidiaries

The Management Planning Conference, in which presidents and executives of all Group companies participate, holds meetings once a month in order to share information and make policy decisions related to management strategy for the entire Group.

The Company creates a system for the reporting of certain important matters to it, including making prompt reports to the Company in the event of emergency through a contact network that includes subsidiaries.

The Company's internal audit division conducts internal audits and reviews of internal control activities at subsidiaries.

2) Rules and other systems regarding management of risk of loss at subsidiaries

The Company establishes the Group Risk Management Regulations to decide risk management for the entire Group, and generally manage risk for the Group as a whole.

The Risk Management Committee works to identify group-wide risks, and studies measures to reduce risk.

3) System to ensure effective execution of duties by Directors, etc., at subsidiaries

The Company receives business plans for each fiscal year submitted by subsidiaries, and manages results on a consolidated basis.

The Company's core operating system "Kumonouchusen," along with groupware (collaborative software), has been introduced at subsidiaries with the aim of creating a common Group system and sharing information within the Group. Human resources are assigned appropriately with a view to consolidating management operations within the Group.

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

The Company establishes the Code of Conduct and Basic Policy on Compliance applying to officers and employees of the entire Group.

Compliance training is conducted for officers and employees group-wide.

Audits of subsidiaries are conducted by the internal audit department of the Company or the subsidiary.

(7) Matters regarding employees to assist Corporate Auditors in their duties, and the independence of such employees

When Corporate Auditors request the assignment of assistant employees, the number and position of those employees, their exclusive assignment or concurrent duties, and other matters shall be appropriately decided and the consent of the Board of Corporate Auditors shall be obtained with regard to personnel changes and evaluation of those employees in order to ensure their independence.

(8) System for reporting to Corporate Auditors, and other systems to ensure that auditing by Corporate Auditors is conducted effectively

1) System for reporting to Corporate Auditors by officers and employees of the Company

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

In addition, in order to understand the process for making important decisions and the status of business execution, Full-time Corporate Auditors shall attend meetings of the Board of Directors and other important meetings including those of the Executive Committee, the Management Planning Conference, Internal Control System Committee, Compliance Committee, and Risk Management Committee. They shall also view major approval documents and other important documents related to business execution, and request explanations from Directors or employees as necessary.

Corporate Auditors conduct exchanges of information aimed at close collaboration with Accounting Auditors, the internal audit division, Corporate Auditors at subsidiaries, and others.

2) System for reports to Corporate Auditors of the parent company by officers and employees of subsidiaries, or persons who have received reports from these officers and employees

If an officer or employee of a subsidiary discovers a fact that could do serious damage to the Company or a subsidiary, the officer or employee shall report the matter to the Corporate Auditors of the Company.

When an officer or employee of a subsidiary is asked by a Corporate Auditor of the Company for a report on business execution, the officer or employee shall make an appropriate report promptly.

The internal audit division of the Company or of the subsidiary reports the results of the internal audit of the subsidiary to the Company's Corporate Auditors.

3) System to ensure that persons who have made a report to the Corporate Auditors are not subject to unfavorable treatment for reason of having made such a report

The Company establishes internal rules stipulating that persons making a report to the Corporate Auditors are not subject to unfavorable treatment for reason of having made such a report.

4) Matters concerning policies dealing with expenses and obligations arising from the execution of duties by Corporate Auditors

A budget shall be secured for payment of auditing expenses.

When a Corporate Auditor requests coverage of reasonable expenses related to services contracted from external experts (attorneys, certified public accountants, etc.), such payment shall be made promptly.

7. Overview of Operating Status of System to Ensure the Appropriate Conduct of Operations

1) Compliance

Based on the Compliance Committee Regulations, the Compliance Committee has prepared a manual, and continuously carries out efforts aimed at compliance with laws and regulations and the Articles of Incorporation. Awareness-raising activities are conducted regularly through in-house email and lectures are held with guest speakers from outside the Company, so that officers and employees will consider compliance as an issue for themselves in their respective positions as they engage in business operations.

The Company has also set up a helpline in the Audit Office in an effort to increase the effectiveness of compliance by maintaining a system for consultation and reporting by officers and employees.

2) Risk management system

The Company identifies, evaluates, and analyzes risks to the business in general and appropriately manages these risks by reflecting them in divisional targets. In addition, as businesses involved in social lifelines, the Company and Group companies have put in place safety systems including preparation of disaster measures manuals and holding of disaster prevention drills.

3) Internal audits

Based on the audit implementation plan prepared by the Audit Office, internal audits of the Company and Group companies are conducted systematically, including verification of whether the risk management system is functioning effectively.

4) Internal control regarding financial reporting

The Company's Audit Office monitors the overall status of development and operation of internal control systems at the Company and Group companies, and promotes measures for improvement.

8. Basic Policy Concerning Control of the Company

(1) Basic policy

In order to maintain and enhance the corporate value of the Group, we believe that it is essential to continue supplying gas energy safely, stably, and at lower prices, to ordinary households in our supply area, which encompasses the entire Kanto region, and to provide the comfort, economic efficiency, energy-saving and environmental features that are characteristic of gas. In order to do so, we strive to make proactive and creative reinvestment in management of aging existing facilities such as gas mains and branch pipes, which, as lifelines that support consumer lifestyles, are forms of social capital. At the same time, we must build relations of trust with consumers, local communities, and other stakeholders, by setting financial and business policies from a long-term perspective, including further enhancement of core designs to deal with emergencies and disasters and proactive efforts to develop new supply systems. The Company's Board of Directors believes that anyone who does not want to set financial and business policies for the Company based on such a long-term perspective, who would destroy the relations of trust the Company has built up with stakeholders including the local community, employees, partner companies, and financial institutions, or who would carry out a share purchase that threatens to damage the Group's corporate value and the common interests of shareholders, is not a suitable person to control the setting of Company policy.

(2) Initiatives to achieve the basic policy

The Company introduced the Corporate Value Improvement Plan (the "Plan") on February 9, 2006, as an initiative to achieve the above basic policy. The Plan was partially revised afterwards, on June 9, 2006, June 12, 2007, June 8, 2009, and approval for its continuation was received at the 61st Ordinary General Meeting of Shareholders held on June 25, 2015. An outline of the Corporate Value Improvement Plan as of the end of the current fiscal year is as follows.

The full text of the Plan in Japanese as of the end of the current fiscal year can be found on the Company's website. The summarized text of the Plan in English is also available on the same website.

(http://www.nichigas.co.jp/ir/pdf/torikumi.pdf)

(http://www.nichigas.co.jp/en/ir/pdf/PlanForImprovingCorprateValue.pdf)

I. Formulation of "NIPPON GAS Group Management Principles: Aiming at Sustainable Growth"

The management of the Company formulates and publicizes its management principles (NIPPON GAS Group Management Principles: Aiming at Sustainable Growth) in advance in order to enable sustainable growth from a medium- and long-term perspective. After such formulation and publication, the management is conducted, and shareholders make performance evaluation. The Company considers that the aforementioned way would contribute to clarification of managerial responsibility of the management of the Company. Therefore, in light of the current situation of the Group, the Group management principles are formulated as follows.

1) Contribution to communities
2) Aiming at sustainable growth of the Group
3) Respect of human resources

II. Establishment of the Management Evaluation Committee

The Company has established the Management Evaluation Committee composed of external experts who are independent of the Board of Directors of the Company to enhance governance by seeking objective opinions from outside the Company on approaches to the maintenance and improvement of the corporate value and the common interests of shareholders simultaneously with the publication of the aforementioned management principles.

Currently, Professor Hideki Ide, Faculty of Business and Commerce of Keio University is serving as committee chairman, and Professor Tsuyoshi Yamada, Faculty of Law of Seijo University and Mr. Gen Nose, Representative Director of Tokyo Financial Advisors Co., Ltd. are members.

III. Adoption of the Corporate Value Improvement Plan

1) Purpose of adoption of the Corporate Value Improvement Plan: Maintenance and improvement of corporate value and common interests of shareholders

The Board of Directors of the Company has decided to formulate rules (hereinafter referred to as the "Corporate Value Improvement Plan") for judging whether or not a proposal for purchase (hereinafter simply referred to as "Purchase Proposal") or purchase action that would result in 20% or more holding ratio of share certificates, etc. of the issued shares of the Company (excluding treasury shares owned by the Company) by a specific shareholder group falls under the 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 purchase action falls under the acquisition type

that would be detrimental in such a way, 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.

2) Policies for corresponding to Purchase Proposal and purchase action of shares of the Company

(Contents of the Corporate Value Improvement Plan)

(a) Purchaser targeted by the Corporate Value Improvement Plan

A purchaser (hereinafter referred to as "Purchaser") targeted by the Corporate Value Improvement Plan is a specific shareholder group that intends to make a Purchase Proposal or purchase action that would result in 20% or more holding ratio of share certificates, etc. of the issued shares of the Company (excluding treasury shares owned by the Company).

(b) Procedures for provision of necessary information

It is requested that the Purchaser makes a Purchase Proposal to the Board of Directors of the Company prior to undertaking a purchase action (hereinafter referred to as "Large-Scale Purchase") that would result in 20% or more holding ratio of share certificates, etc. of the issued shares of the Company (excluding treasury stocks owned by the Company). In order to specifically determine whether or not a Purchase Proposal made by a Purchaser would be detrimental to the corporate value and the common interests of shareholders of the Company, the Board of Directors of the Company requests that necessary information be submitted within five business days following receipt of the Purchase Proposal from the Purchaser. In case that sufficient information has been provided by the Purchaser or in case that sufficient information has not been provided by the Purchaser despite several requests for such information, the Board of Directors of the Company will immediately submit the received relevant information to the separately established Management Evaluation Committee, which is composed of three independent external experts.

(c) Review procedures by the Management Evaluation Committee and the Board of Directors

After receiving the relevant necessary information from the Board of Directors of the Company, the Management Evaluation Committee reviews and analyzes the Purchase Proposal while receiving advice from outside experts. Then, the Management Evaluation Committee advises implementation or non-implementation

of a countermeasure to the Board of Directors of the Company within 60 business days (provided that, if necessary, the Management Evaluation Committee is allowed to extend such period by 30 business days) after the Board of Directors of the Company received the necessary information from the Purchaser.

(d) Matters to be reviewed and analyzed by the Management Evaluation Committee

In case that the Management Evaluation Committee reviews and analyzes the Purchase Proposal and other information and if it is deemed that any of the following matters applies to the relevant case, the Management Evaluation Committee will advise the Board of Directors of the Company to implement a countermeasure. In case that none of the following matters applies to a relevant case, the Management Evaluation Committee will advise the Board of Directors of the Company not to implement a countermeasure.

a. If, despite receipt of several requests for information from the Board of Directors of the Company, the Purchaser would not provide information sufficient for the shareholders to determine whether to transfer the shares of the Company to the Purchaser or continue to retain the same, and the corporate value and the common interests of shareholders of the Company would be damaged unless the countermeasure is implemented at such point of time.

b. The Purchaser is an abusive acquirer (to whom any of the following matters applies)

(i) Despite the fact that the Purchaser does not have any sincere intention of participating in management of the Company, such Purchaser makes a Purchase Proposal or conducts purchase action of shares of the Company simply for the purpose of driving up the stock price and forcing the Company or parties affiliated with the Company to purchase the stocks at a high price (so called "green mailer"), and it is possible to objectively and reasonably recognize this fact.

(ii) The Purchaser makes a Purchase Proposal or conducts purchase action of the shares of the Company for the purpose of transferring intellectual property rights, know-how, confidential corporate information, or major business partners or customers necessary in the course of business management of the Company to such Purchaser or his/her group company, etc. by temporarily taking control of the management of the Company (so-called Shodoka-Keiei in Japan), and it is possible to objectively and reasonably recognize this fact.

(iii) The Purchaser makes a Purchase Proposal or conducts purchase action of the shares of the Company for the purpose of using the assets of the Company as security for, or the source of repayment of, the debts of the Purchaser or his/her

group company, etc., after the Purchaser takes control of the Company and it is possible to objectively and reasonably recognize this fact.

(iv) The Purchaser makes a Purchase Proposal or conducts purchase action of the shares of the Company for the purpose of selling valuable assets, such as real estate properties and securities that are not currently related to the business of the Company to distribute temporarily high dividends using profits from such sales through temporarily control of the management of the Company, or selling stocks when they peak, aiming to take advantage of the opportunity presented by sharply rising stock prices resulting from the temporarily high dividends, and it is possible to objectively and reasonably recognize the existence of such exploitative aims.

(v) The Purchaser makes a Purchase Proposal or conducts purchase action of shares of the Company for the purpose of coercive two-tier purchase (meaning implementation of initial purchase conditions as advantageous and subsequent purchase conditions as disadvantageous (or unclear), to let shareholders sell shares quickly before a disadvantageous situation arise unless they respond to the initial purchase actions), and it is possible to objectively and reasonably recognize this fact.

c. Management plans or business plans after purchase are remarkably unreasonable, and it is clear that that the corporate value and the common interests of shareholders of the Company would be damaged following purchase of the stocks by Purchasers.

d. In case that the management plans or business plans of the current management are proposed to the Management Evaluation Committee, the management plans or business plans after purchase are clearly inferior compared with those of the current management (including alternative proposals made in response to Purchase Proposals of Purchasers), and it is clear that the corporate value and the common interests of shareholders of the Company would be damaged following purchase of the shares by the Purchaser.

(e) Respect for recommendation by the Management Evaluation Committee

In response to a recommendation made by the Management Evaluation Committee, the Board of Directors of the Company decides whether or not it is necessary to implement the countermeasures. In making such decisions, the recommendations of the Management Evaluation Committee will be respected to the utmost extent.

(f) Disclosure of review by the Board of Directors

When the Board of Directors of the Company resolves to implement the countermeasure, it shall immediately disclose such resolution and the reasons that support the decision. Additionally, even in the case that the Board of Directors of the Company resolves not to implement the countermeasure, if it is judged that the Purchase Proposal is inferior to the management plan or business plan made by the Board of Directors of the Company (including alternative proposals made in response to the Purchase Proposal of the Purchaser) and would be detrimental to the maintenance and improvement of corporate value and the common interests of shareholders of the Company, the Board of Directors of the Company expresses opinions to such effect and shall disclose its management plans and business plans (including alternative proposals made in response to Purchase Proposals of Purchasers) at an appropriate time to leave the decision to shareholders.

3) Countermeasures

An outline of share options subject to call allotted as a countermeasure is described as follows.

(a) Shareholders targeted for allotment of the share options and conditions thereof

Shareholders recorded in a final shareholders' registry on the allotment date (hereinafter referred to as "Allotment Date") determined by a resolution at a meeting of the Board of Directors of the Company held following a resolution to implement the countermeasures shall be allotted the share options at the rate of one unit per share owned thereby.

(b) Acquisition clause

On the condition that the implementation date of the acquisition clause determined at a meeting of the Board of Directors of the Company for resolution regarding allotment of the stock acquisition rights arrives, the Company acquires the share options and issues up to three common stocks of the Company in lieu thereof.

(c) Acquisition conditions

In case that the share options have been allotted to the Purchaser or parties that belong to a specific shareholder group including the Purchaser, the share options owned by the Purchaser and the parties that belong to the specific shareholder group including the Purchaser as the share options holder will be acquired by the Company but common stocks of the Company will not be issued in lieu thereof.

(3) Judgment of approaches for achievement of basic policies by the Board of Directors and the reasons thereof

Regarding the approaches mentioned above, "I. Formulation of "NIPPON GAS Group Management Principles: Aiming at Sustainable Growth" and "II. Establishment of the Management Evaluation Committee" will be implemented based on our business characteristics directly aiming at maintaining and improving the corporate value and the common interests of shareholders of the Company. Therefore, relevant actions will be taken following the basic polices in accordance with the common interests of shareholders of the Company, and such actions are not designed to maintain the positions of officers of the Company.

Moreover, in regard to "III. Adoption of the Corporate Value Improvement Plan," relevant actions will be taken following the basic polices in accordance with the common interests of shareholders of the Company, and such actions are not designed to maintain the positions of officers of the Company, for the reasons mentioned below.

1) The requirements for guidelines on anti-takeover measures are fully satisfied

The Plan satisfies the three principles regulated under the Guidelines related to Anti-Takeover Measures for Preservation and Improvement of Corporate Value and the Common Interests of Shareholders released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

2) Shareholders' intentions are focused

A proposal to change the Articles of Incorporation and continuous adoption of the Plan was approved at the 52nd Ordinary General Meeting of Shareholders held on June 29, 2006. Continuation of the Plan was approved at the 53rd Ordinary General Meeting of Shareholders held on June 28, 2007, at the 55th Ordinary General Meeting of Shareholders held on June 26, 2009, at the 57th Ordinary General Meeting of Shareholders held on June 29, 2011, at the 59th Ordinary General Meeting of Shareholders held on June 27, 2013, and at the 61st Ordinary General Meeting of Shareholders held on June 25, 2015, and thus we were able to gain confidence of our shareholders. Additionally, the intentions of shareholders will be considered in connection with proposals for the appointment of future Directors (we propose the appointment of Directors who support the continuation of the Corporate Value Improvement Plan).

3) Emphasis on judgment by highly independent external parties and information disclosure

The Management Evaluation Committee strictly supervises arbitrary actions of the Board of Directors of the Company even in emergency situations. Additionally, outlines

regarding such judgments are disclosed to shareholders on our website, and thus a system that allows transparent implementation of the Plan is ensured.

4) Establishment of reasonable and objective requirements

These rules are established to allow implementation to take place only when reasonable and objective requirements are satisfied. Therefore, it can be said that a system has been preserved in which arbitrary implementation by the Board of Directors of the Company is prevented.

5) The Plan is neither dead-hand-type nor slow-hand-type anti-takeover measure

The Plan is designed to reflect intention of shareholders through proposals for appointment of directors at the General Meeting of Shareholders in the future and thus it is not a "dead-hand-type" anti-takeover measure that cannot be abolished by the resolution of the General Meeting of Shareholders, nor a "slow-hand-type" anti-takeover measure that takes time to prevent its implementation.

(Note) In amounts and numbers of shares stated in this Business Report, fractions less than the denoted unit have been rounded off, and in some cases, rates have been stated using rounded-off figures.