

While adhering to our principle of “Value Creation Management,” to maximize “value for our customers,” “value for our shareholders,” and “value for society,” we are implementing reforms in our management structure to promptly cope with the changing business environment, strengthen corporate competitiveness and ensure sound business management.

At Osaka Gas, our directors participate in management meetings to share their professional views on strategic matters in line with specific internal rules, and decisions are made on those matters through in-depth deliberations at the Board of Directors meetings. The Board of Directors reviews important matters that affect the entire Group, including its subsidiaries and affiliates, and is responsible for making correct and quick decisions and strengthening oversight functions.

In June 2003, a new internal auditor system was adopted at the annual general meeting of shareholders to satisfy the revised requirement that at least half of the corporate auditors should be nonemployee auditors, in accordance with the “Law Revising the Law Concerning Special Measures to the Commercial Code with Respect to Audit, etc. of Corporations (Kabushiki Kaisha) (2001, Law 149).” The inclusion of nonemployee auditors, independent from the control of the Board of Directors, has strengthened the ability of Osaka Gas to oversee the

appropriateness and legality of the directors’ performance. In addition, an Auditors’ Office comprised of full-time staff members not under the direct control of the directors has been established to improve the audit system. The two nonemployee auditors appointed in the shareholders’ general meeting do not have any special personal, capital, or business relationship with Osaka Gas, nor do they have any other interest in the Company, thus preserving their impartiality.

The Osaka Gas Group implemented organizational reforms in April 2003 to strengthen its managerial structure. As part of those reforms, an inspector was appointed within each business division to improve internal audit and oversight functions, while more authority was transferred to each division.

Moreover, the Osaka Gas Group Code of Corporate Conduct was established to achieve strict compliance with all applicable legal requirements by all the members of the Osaka Gas Group, including the directors and employees of Osaka Gas and its subsidiaries. To enhance the ability of the Group to ensure that its business activities comply with applicable laws, in 2003, we established the Compliance Committee, whose membership includes outside specialists, and also reorganized the compliance office, which had been a section within a unit, into the Compliance Department, an independent unit.

The Osaka Gas Group’s Compliance Structure

