

Realizing sustainable growth and maximizing social value

To realize sustainable growth of the economy, corporations are expected more and more to fulfill their social responsibilities in contributing to the improvement of the environment and society, respecting human rights and managing occupational health. The Osaka Gas Group aims to maximize its social value on various fronts ranging from information disclosure and compliance to environmental activities and social contributions.

Osaka Gas Group Code of Conduct

1. Code of Conduct as a Good Corporate Citizen:

- Respect human rights, and do not discriminate against our customers and employees based on race, religious beliefs, sex, social status or family lineage
- Consider environmental preservation by preventing emissions of harmful substances and recycling waste

2. Code of Conduct in Gas Production and Supply:

- Carry out business activities in good faith by adhering to laws and ordinances related to the gas business and placing customer satisfaction first
- Ensure the safety of customers in the production and sale of products as well as construction work. In the event of an accident, quickly find the cause and make every effort to prevent a reoccurrence by taking appropriate measures such as recalling products and issuing warnings.

3. Code of Conduct for Business Transactions:

- Conduct business transactions in a proactive and fair manner in accordance with antimonopoly law
- Conduct fair transactions, and do not take advantage of superior position over transaction partners if one exists
- Build a relationship of trust with customers in good faith
- Socialization with partners and suppliers should be conducted with moderation and common sense in compliance with the law

4. Code of Conduct for Information Management:

- Manage information so that customer information is not leaked. Disclose management information in a timely and appropriate manner
- Manage our intellectual property and do not infringe on the intellectual property of others

5. Code of Conduct in the Workplace:

- Strive to create a workplace where employees work comfortably with mutual respect
- Do not discriminate against or treat unfairly employees in their wages and benefits regardless of a type of employment

6. Code of Conduct in Society:

- Prohibit transactions and sharing profits with groups that show antisocial behavior
- Pay taxes fairly

Osaka Gas Group Environmental and Social Action Philosophy

Environmental conservation at both local and global levels is an extremely important mission for Osaka Gas Group. Bearing in mind that all of its business activities are closely related to the environment, the Osaka Gas Group pursues harmony with the environment and realizes the efficient use of energy and resources through its business activities. In this way, Osaka Gas Group will contribute to the sustainable development of society.

Osaka Gas Group Environmental Action Guidelines

1. Reducing Environmental Impacts Business Activities

We aim to reduce the environmental impacts from our business activities.

To this end, Osaka Gas Group will strengthen its environmental management system and promote internal activities aimed at saving energy and natural resources.

2. Contributing to Environmental Impact Our Products and Services

By offering environmentally-friendly natural gas, and our products and services which contribute to reduce environmental impact, we are making our efforts in partnership with our customers to achieve environmental impact reduction. To this end, we will strive to develop energy-saving systems which contribute to environmental conservation.

3. Contributing to Environmental Nationally and Overseas

Osaka Gas Group aims to take an active part in environmental conservation activities in areas wherever we conduct business, both in and outside Japan. (Revised in March 2004)

Please refer to the Message from the Management for a description of our basic policies on corporate governance and compliance. In addition, our Environmental and Social Action Report contains detailed information about compliance, environmental activities and contributions to society.

Corporate Governance

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 non-employee 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 non-employee 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 composed of fulltime staff members not under the direct control of the directors has been established to support the auditors and thus to improve the audit system. The two non-employee 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.

Compliance

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 Code of Corporate Conduct defines the standards that should be observed by all Group members. It is ensured that all Group members are well informed about it.

Environmental Activities

Based on the fundamental concept that environmental activities are the basis of business activities of an energy utility company, Osaka Gas established the Environmental Philosophy and three Environmental Action Guidelines in 1992. The Company has formulated the 2010 Environmental Goals and 2005 Medium-Term Environmental Goals as a guide for Group-wide efforts to preserve the environment.

We have set 34 medium-term environmental targets, including 24 quantitative targets, which follow three action guidelines, and aim to ensure their implementation. From fiscal 2004, we introduced Environmental Management Indicators to effectively promote environmental activities based on a quantitative understanding of progress in environmental management. For Environmental Management Efficiency, we have set a target of making a 43% improvement in fiscal 2006 compared with fiscal 2002.

Osaka Gas aims to reduce green house gas emissions by 25% to 19 g-CO₂/m³ (per cubic meters of gas sold) compared with fiscal 1999 as its target for fiscal 2010. In fiscal 2005, the Company attained 17.8 g-CO₂/m³ a decrease of 30% from fiscal 1999, which proves its good performance toward achieving the goal. Our plants have sustained zero emission of industrial waste since its achievement in fiscal 2003. We also have reduced final disposal volume of non-industrial waste and have improved the recycling ratio year by year. In addition, we are making efforts to improve the environment on several fronts, such as promoting energy service company (ESCO) operations in Japan, spreading environmental technology overseas including China and Indonesia, introducing Tri-generation technology for effectively using CO₂ in exhaust gas, and developing storage and supply technology for hydrogen as a next-generation energy source.

As a means for effectively advancing environmental activities at the Group companies, we plan to introduce environmental management systems including the acquisition of ISO 14001 certification by fiscal 2011. Group companies have been acting on their own accord, and 10 companies have already acquired ISO 14001 certification for their environmental management systems. For those Group companies that have not acquired certification yet, Osaka Gas aims to promote its acquisition depending on business scale and type by fiscal 2011.

Community activities

The Osaka Gas Group believes contributing to society and deepening its connection with customers is its corporate mission and crucial to future development. In line with this belief, we are contributing to society through the establishment of foundations that encourage our employees to make contributions to local communities as a corporate citizen as well as to promote welfare and international exchange.

Since 1991, Osaka Gas has backed the volunteer activities of its employees by providing information and putting in place support systems in terms of time, money, and facilities. For example, the community leave system was created to allow employees to take time off to participate in community events and support local sports and cultural exchange activities. Over the past 10 years, the community leave system has been used on about 150 different occasions. The community gift system was started to provide financial support for events as well as the purchase of equipment and materials for groups and individuals that contribute to the betterment of the welfare of local communities, such as supporting handicapped people and the elderly, taking care of infants and children, and cleaning activities. It has contributed on about 180 different occasions over the past 10 years. Established in 1985, the Osaka Gas Group Welfare Foundation has worked closely with local communities in promoting welfare activities for the elderly, assistance for research and surveys, and activities to improve the health of the elderly. Founded in 1992, the Osaka Gas Foundation of International

Cultural Exchange provides educational support to elementary, junior high schools, high schools, and universities in natural gas producing nations in Southeast Asia by supplying educational materials, providing assistance for research in natural gas-related technologies and environmental technologies, awarding scholarships to high school students and university students, and assisting in the training of technicians and researchers.

Efforts for improving value for employees

The Osaka Gas Group includes in its basic management principle promotion of corporate management focusing on people's growth that makes the most of the personality and self-motivation of employees as well as trustful cooperation between employees and management with a sense of tension to support the company's sound growth. According to the management principle and the Osaka Gas Group's Code of Conduct in the Workplace, the Group endeavors to establish a working environment where everybody is able to work comfortably and a system where accomplishments are fairly evaluated, regardless of sex or type of employment.

(For the basic policy concerning corporate governance and compliance, see the Management Message in this report. For the details of compliance and contribution to the environment and society, refer to the Environmental and Social Action Reports issued by Osaka Gas.)



Promotion of technology transfer of a wastewater treatment system using the catalytic wet oxidation (CWO) process (photo: presentation ceremony of the International Chemical Engineer Award by Yunnan Province, China in October 2003)



An elementary school in Indonesia Osaka Gas contributed educational tools to



Gas Science Museum for understanding of energy and environmental issues while enjoying the exhibition