

Corporate Governance

Management Systems for Business Decision-making, Execution, and Oversight

To improve the maneuverability of our business execution systems, we have reduced the number of directors and expanded the scope of authority of our departmental heads through a reform of our organization.

We ensure the legality and appropriateness of our decision-making and business execution by following a clearly defined set of company regulations. In addition, important decisions are only made after being carefully scrutinized by the Executive Board, which is comprised of executive directors with a wide range of expertise, and after full discussion by the Board of Directors. Handling matters important to the whole Group, the Board of Directors makes accurate and speedy business decisions and works to improve oversight of the operations of the entire Group.

To be approved, each investment must fulfill the Group's common interest criteria and be examined by the Investment Appraisal Committee, which is held independently from the Executive Board meetings. We have also appointed outside auditors and established a Management Advisory Committee to check legality and appropriateness from an external point of view.

At our ordinary general meeting of shareholders held in June 2003, we changed our corporate auditor system to make it comply with the requirement that at least half of the team of corporate auditors must be outside auditors as stipulated in the Law Revising the Law Concerning Special Measures to the Commercial Code with Respect to Audit, etc. of Corporations (*Kabushiki Kaisha*). This team of corporate auditors, half of whom are outside corporate

auditors highly independent from the Board of Directors, conducts audits of the legality of the business decisions made by the Group.

In addition, a Corporate Auditors' Office composed of full-time 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 outside auditors appointed at the general meeting of shareholders 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.

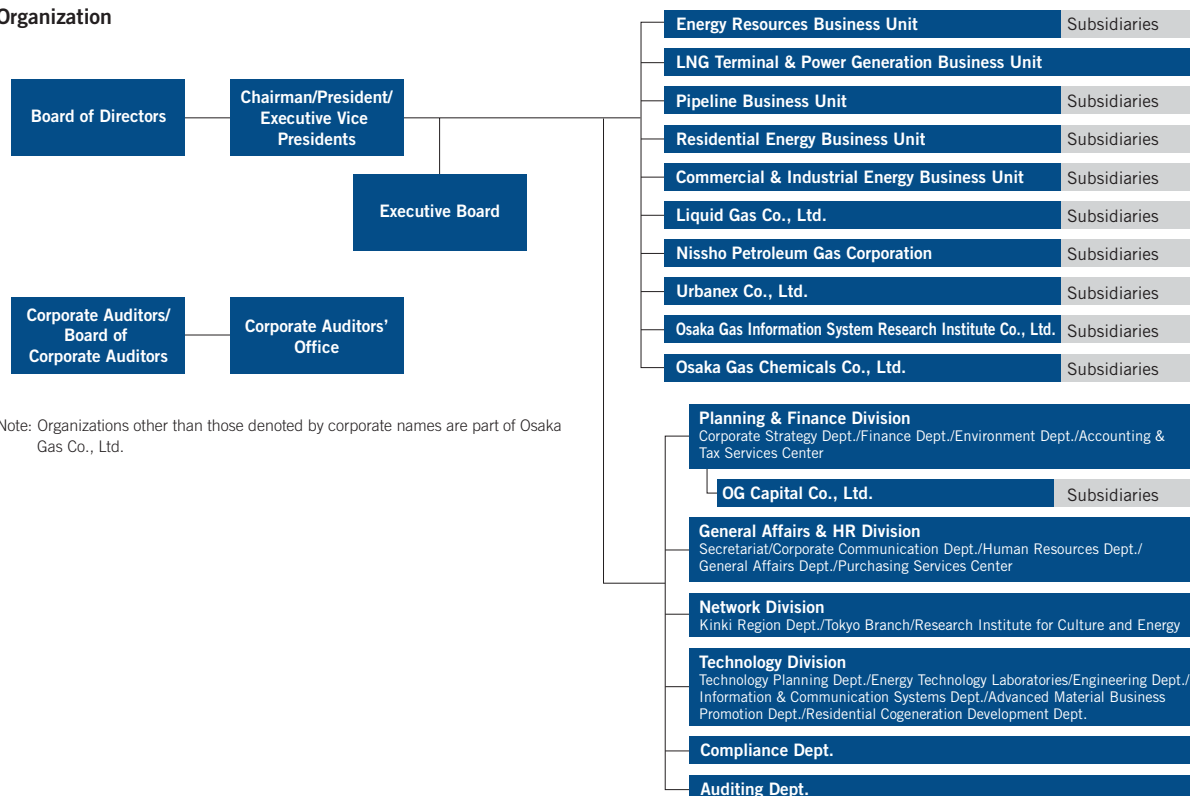
On June 29, 2006, in a meeting of the Board of Directors following the ordinary general meeting of shareholders, we reformed our management structure. Specifically, we substantially reduced the number of directors, significantly improving the process of decision-making by the Board of Directors. At the same time, we introduced an operating officer system. By concentrating the efforts of the Board of Directors on management rather than business execution decisions and on monitoring and oversight of business operations, we have further revitalized the role of the Board of Directors, increasing management efficiency and enhancing business oversight.

Internal Control Systems

System for Ensuring Compliance by Directors and Employees With Laws and Articles of Incorporation

- Executive directors decide code of business conduct based on the CSR Charter. By familiarizing employees with the code, the directors ensure that the Osaka Gas Group conducts business in compliance with laws and the Articles of Incorporation and carries out business activities in a fair and appropriate manner.

Organization



- Executive directors seek to understand the status of compliance within the Osaka Gas Group and to promote it further. Their efforts are underpinned by the consultation and reporting system which forms the basis of internal notification, and meetings of the Compliance Committee.
 - When directors or employees of the Osaka Gas Group discover problems regarding compliance, depending on the severity or urgency of the matter, they either contact an executive director or superior directly, or use the consultation and reporting system. The executive director, compliance manager or superior contacted investigates the matter and takes necessary action to correct it.
- System for Filing and Administration of Records Concerning Performance of Directors
 - In accordance with internal rules regarding job responsibilities, executive directors and employees of the Osaka Gas Group create documents connected with meetings of the Board of Directors, including minutes and documents for approval. These documents clearly detail such matters as the decisions made and the process of decision-making. In addition to such meeting-related communications, information on the performance of business responsibilities by directors is appropriately filed and administered in accordance with its degree of importance.
 - Rules for Controlling Losses and Other Systems
 - Executive directors determine safety rules for construction, maintenance, and operation of manufacturing and supply facilities. They also make every effort to ensure safety of the gas business and the provision of stable gas supplies by means including upgrading manufacturing and supply facilities.
 - Osaka Gas Group executive directors and Osaka Gas Co., Ltd. section heads manage the risk of losses by taking measures to prevent the occurrence of risk, or to minimize losses should incidents occur. These actions are taken for each risk category including risks caused by either external or internal factors, or risks arising during transactions with external parties.
- System to Ensure Directors Effectively Perform Their Business Responsibilities
 - Osaka Gas Group executive directors and Osaka Gas section heads decide matters regarding job allocation and decision-making authority based on the internal rules regarding job responsibilities. They also determine internal rules regarding compliance during the execution of business, and rules regarding compliance-related systems and organizations. By familiarizing employees with these rules, the directors ensure that operations are carried out smoothly and that efforts are made to improve operational quality and efficiency.
 - Osaka Gas Group executive directors and Osaka Gas section heads determine medium-term and annual management plans for the Osaka Gas Group and the parent company with the goal of maximizing corporate value. They monitor progress under these management plans using business performance indicators, and make efforts to achieve the targets of the plans.

The Osaka Gas Group CSR Charter

The Osaka Gas Group, with its highest managerial priority placed on maximizing value for its customers, seeks to create value for all its stakeholders including shareholders, society, and employees through fair and transparent business practices. We believe that the pursuit of “value creation management” results in fulfilling corporate social responsibilities of the group.

In order for the Osaka Gas Group to fulfill its corporate social responsibilities and to achieve its sustainable development, we hereby set forth the Charter as the guiding principle for the management and the employees of the Group to observe in their conduct of business. The management of the Osaka Gas Group, its subsidiaries and affiliates, and managers of respective divisions, are determined to implement the spirit of the charter in their business initiatives. Should any infringement of the charter occur, the management acts immediately to identify and resolve problems, and to take strict corrective actions.

I. Creating value for customers

The Osaka Gas Group is committed to making its positive contribution to realizing higher level of comfort and development of business activities of its customers. The group intends to achieve this objective through its provision of reliable and safe supply of natural gas and other energy services with improved level of services for its customers. We also seek to grow together with customers and society at large by pursuing opportunities for further growth of our businesses to create new products and services to enhance our value for customers.

II. Contributing to harmonizing with the environment and to realizing a sustainable society

Addressing the issues of the environment both at regional and global levels is of paramount importance for the Osaka Gas Group, which is

engaged in wide-ranging energy services. The Group, being seriously aware of the impacts of its business activities on the environment, seeks to harmonize its businesses with the environment and to realize efficient utilization of energy resources, thereby contributing to achieving a sustainable society.

III. Being a good corporate citizen contributing to society

The Osaka Gas Group, as a good corporate citizen, strives to maintain communication with society and the communities it serves. Through proactive disclosure of information and improved managerial transparency, we intend to establish a favorable relationship with citizens and to make our positive contribution to the healthy development of society.

IV. Complying with laws and regulations and respect for human rights

The management's and the employees' compliance with laws and regulations forms a basis of gaining society's trust. Our perspectives on compliance go beyond legal and regulatory boundaries to include decent conduct expected of all citizens. Based on our respect for human rights, we intend to maintain equitable relationships with our customers, business partners, and other parties.

V. Management policy of human growth

The Osaka Gas Group strives to become a group of enterprises to realize growth of its employees through work by ensuring employment opportunities and respecting employees' individuality and initiative. With discipline and self-motivation, we will charge ourselves with the task of creating new value for customers, shareholders and society. The group and its employees, through mutual trust and decency, strive to achieve sound growth of enterprises within the group.