

Corporate Governance



The Osaka Gas Group engages in business activities that abide by good governance principles and pursues “Value Creation Management” under its business philosophy that puts top priority on maximizing customer value as a first step toward raising value for all of its stakeholders.

(Front, left to right) Hiroshi Ozaki, Masashi Kuroda
(Back, left to right) Takashi Sakai, Masato Kitamae

Directors and Corporate Auditors

(As of June 28, 2012)

President

Hiroshi Ozaki

Representative Directors

Masashi Kuroda

Takashi Sakai

Masato Kitamae

Directors

Noriyuki Nakajima

Takehiro Honjo

Hirofumi Kyutoku

Takahiko Kawagishi

Hidetaka Matsuzaka

Yoichiro Ozaki

Kenji Ikejima

Outside Directors

Tadamitsu Kishimoto

Shunzo Morishita

Corporate Auditors

Shingo Kamei

Shiro Takenaka

Outside Corporate Auditors

Toshihiko Hayashi

Atsushi Hayashi

What are the basic concepts of corporate governance in the Osaka Gas Group?

The Osaka Gas Group, seeking to maximize corporate value, operates in accordance with its philosophy of “Value Creation Management” which stipulates that value should be raised for all stakeholders—including customers, shareholders, society, and employees—through fair and transparent business practices.

Toward this end, the Group is building further on the sound principles governing its management team based on this philosophy. It is broadening and strengthening corporate governance to respond more quickly and accurately to the business conditions it faces.



What is the framework you are building for fully enhancing corporate governance?

Following the internal regulations stipulated by the Board of Directors, the Executive Board and the Board of Directors are comprised of the executive directors and directors who implement the Osaka Gas Group's business. They make decisions after thoroughly deliberating on relevant issues. The Board of Directors consists of 13 directors, including two outside directors. Its mission is to make swift and appropriate decisions about important matters that affect the entire Group and to enhance supervisory capabilities.

The Company has adopted an executive officer system under which executive officers perform duties determined by the Board of Directors, while some representative directors and directors concurrently serve as executive officers. This serves to further strengthen the supervisory functions of the Board of Directors and enhance their performance in the execution of their duties.

Tell us about your initiatives for bolstering the functions of the auditing team at Osaka Gas?

Osaka Gas selects a Board of Corporate Auditors, comprised of four members, including two outside corporate auditors, who monitor and audit the duties and performance of the directors.

Moreover, a Corporate Auditors' Office consisting of four full-time staff operating outside the directors' chain of command has been established to strengthen the role played by auditors. It assists in investigations of corporate auditors to further ensure that their duties are fully and properly executed.

In addition, corporate auditors, accounting auditors, and auditing departments, are increasingly cooperating with each other by exchanging information from time to time as necessary. This entails holding regularly scheduled meetings to compile annual auditing plans, auditing reports, and other data for dissemination. For auditing, the Company has a contract agreement with KPMG AZSA LLC.

What are the duties and roles of outside directors and corporate auditors at Osaka Gas?

Osaka Gas appoints two outside directors and two outside corporate auditors. Outside directors participate in decision-making as members of the Board of Directors and are expected to fulfill auditing and monitoring duties. Outside corporate auditors are expected to fulfill their duties as auditors of monitoring the operational execution of directors from a strictly independent standpoint.

The concrete roles of outside directors and outside corporate auditors include verifying the state of the internal governance system based on the Companies Act, evaluating internal governance related to financial reporting in compliance with the Japanese Financial Instruments and Exchange Law, and holding hearings

What are your reasons and your criteria for appointing outside directors and outside corporate auditors?

on the status of internal audits and the state of CSR in relation to the Board of Directors or other parties. They also confirm the content of audit reports compiled by the independent auditor of accounts.

The two outside directors and two outside corporate auditors are not major trading partners of or major shareholders in the Osaka Gas Group, and they are not nor have they been executives or employees at other companies that are major trading partners of or major shareholders in the Group. For this reason, we have judged that they are sufficiently independent and without conflicts of interest that may arise with general shareholders.

Reasons for appointing full-time auditors

Elected outside directors and outside corporate auditors are deemed qualified to fulfill their duties and act independently in roles as outside directors and outside corporate auditors in consideration of their experience and insight and relationships with their alumni organizations and with Osaka Gas. Individuals holding office and the reasons for their appointment are cited below.

	Name	Individual and reason for appointment
Outside Director	Tadamitsu Kishimoto Chancellor, Osaka University, Professor Emeritus, M.D., Ph.D., Doctor of Medicine	Considered qualified for appointment as an outside director and duly elected based on his notable achievements in medical research and extensive experience in organizational management as a former chancellor of Osaka University.
Outside Director	Shunzo Morishita Former President and Director, Nippon Telegraph and Telephone West Corporation; Chairman, Kansai Institute of Information Systems	Considered qualified for appointment as an outside director and duly elected based on his wide-ranging experience and insight as former President and Director of Nippon Telegraph and Telephone West Corporation and in other management positions.
Outside Corporate Auditor	Toshihiko Hayashi Professor Emeritus, Osaka University; Professor, Doshisha University	Considered qualified for appointment as an outside corporate auditor and duly elected based on his considerable insight into management and other attributes.
Outside Corporate Auditor	Atsushi Hayashi Former President of Takamatsu High Court; Professor, Kyoto University Graduate School of Law	Considered qualified for appointment as an outside corporate auditor and duly elected based on his service to the Takamatsu High Court and other legal positions and his extensive experience and expertise as a legal practitioner.

What is your policy for determining remuneration for directors?

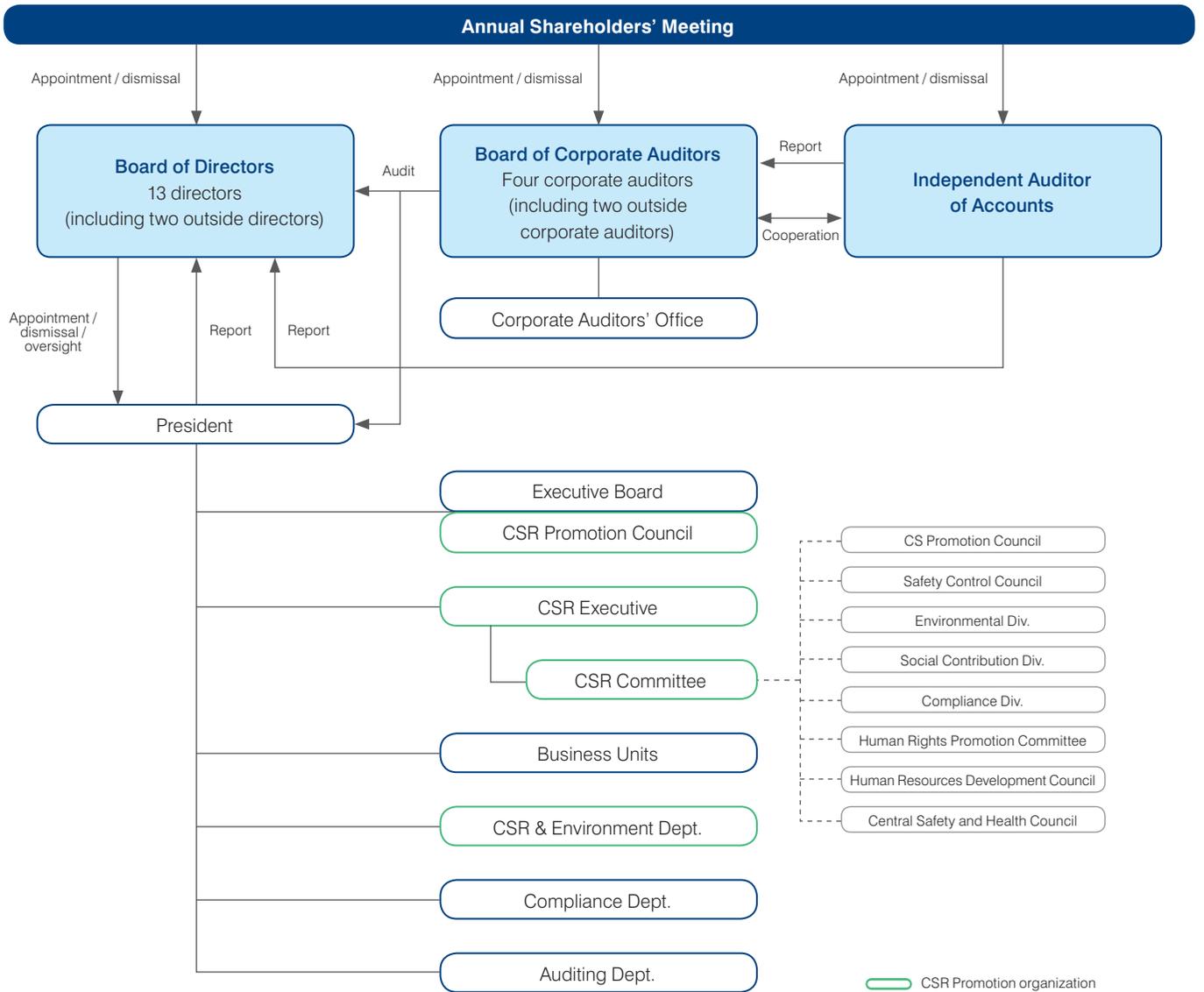
Remuneration for each director is determined by resolution of the Board of Directors within the scope of remuneration approved at the annual meeting of shareholders, taking into consideration position, management role, and other factors pertaining to each director. Remuneration for each corporate auditor is determined through discussions with corporate auditors within the scope of remuneration approved at the annual shareholders' meeting taking into consideration positions, management roles, and other factors pertaining to each corporate auditor.

What about Osaka Gas' internal control systems?

Osaka Gas has established the auditing department (with a staff of 19*) that functions as an internal auditing division and, based on a yearly auditing plan, monitors the appropriateness and efficiency of business activities and provides each section of the organization and affiliates with advice and recommendations. For business units, core Group companies, and other sections, the Group is working to enhance and strengthen auditing and internal control functions. For example, basic rules for affiliated companies and self-auditing regulations commonly shared by Group companies more clearly define the roles and duties of internal auditors. Moreover, auditors evaluate internal controls over financial reporting based on the Japanese Financial Instruments and Exchange Law.

* As of June 28, 2012

Corporate Governance Organization (As of June 28, 2012)



Council Roles

Executive Board	<p>Members: President, Executive Vice Presidents, Senior Executive Officers, General Managers, Division Heads</p> <p>Schedule: Weekly as a rule</p> <p>Content: Deliberation on important matters for basic business policies and management</p>
CSR Promotion Council	<p>Members: President, Executive Vice Presidents, Senior Executive Officers, General Managers, Division Heads</p> <p>Schedule: Twice annually as a rule</p> <p>Content: Deliberation on CSR activity planning and reports</p>
CSR Committee	<p>Members: CSR Executive, five business planning general managers, department general managers in five CSR charter fields, corporate communication, corporate strategy, and affiliated business department general managers</p> <p>Schedule: Three times annually as a rule</p> <p>Content: Cross-organizational coordination and promotion of CSR activities</p>