

## Corporate Governance

Committed to Practicing Sound and Transparent Management while Maximizing Corporate Value



### Basic Stance toward Corporate Governance

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

Guided by this management philosophy, the Group is working to further improve the soundness of management. At the same time, we are endeavoring to not only maintain the current status of our corporate governance system, but also to enhance and strengthen its content and quality. In this manner, every effort is being made to ensure that business is executed in an efficient and appropriate manner and that the Group responds swiftly and precisely to changes in its business environment.

# Corporate Governance Organization

(As of June 27, 2014)

## Annual Shareholders' Meeting

Based on the Companies Act of Japan, matters stipulated under legislation and the Company's Articles of Incorporation are put forward at the Annual Shareholders' Meeting for resolution.

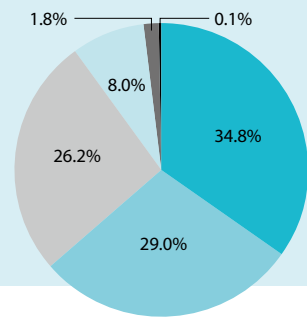
In order to ensure that shareholders' meetings are conducted in a vigorous manner and to facilitate the exercise of voting rights, Osaka Gas attends to the early distribution (approximately four weeks in advance) of notices of shareholders' meetings as a part of efforts to secure an appropriate period for the deliberation of proposals items. In addition, the Company has adopted electronic voting to allow shareholders to exercise their voting rights via the Internet.

Number of Shareholders  
(As of March 31, 2014)

131,643

Shareholdings by Type of Shareholder

- Banks and Insurance Companies
- Individuals and Others
- Foreign Corporations and Foreign Individuals
- Other Japanese Corporations
- Securities Companies
- Treasury Stocks



Appointment  
Dismissal

Appointment / Dismissal

## Directors and the Board of Directors

The role of the Board of Directors is to thoroughly deliberate on and make timely and appropriate decisions about important matters that affect the whole Group including subsidiaries and to enhance the supervisory function. Osaka Gas has also adopted an executive officer system under which executive officers perform duties determined by the Board of Directors. Certain 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.

### Members

#### President

Hiroshi Ozaki

#### Representative Directors

Masato Kitamae  
Takehiro Honjo  
Hirofumi Kyutoku

#### Director

Hidetaka Matsuzaka  
Kenji Ikejima  
Masaki Fujita  
Yasuo Ryoki  
Tetsuo Setoguchi  
Kazuhsa Yano  
Eiichi Inamura

#### Outside Director

Shunzo Morishita

#### Biography

2004 Representative Director and President of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION  
2008 Director and Executive Advisor of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION  
2009 Director of the Company (current)  
2010 Executive Advisor of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (current)  
2012 Chairman of the Board of Directors of Hanshin Expressway Company Limited (current)

#### Outside Director

Hideo Miyahara

#### Biography

2002 Dean of the Graduate School of Information Science and Technology, Osaka University  
2003 President of Osaka University  
2007 President of the National Institute of Information and Communications Technology  
2013 Specially Appointed Professor, Osaka University Graduate School of Information Science and Technology (current)  
Director of West Japan Railway Company (current)  
Director of the Company (current)

Appointment / Dismissal / Oversight

Report

President

## Director and Corporate Auditor Remuneration

In order to ensure objectivity, the amount of remuneration paid to each director is determined by a resolution of the Board of Directors after taking into consideration deliberations by the Management Advisory Committee, which is composed of a majority of outside directors. The amount falls within the scope (up to a maximum of ¥63 million per month) approved at the Annual Shareholders' Meeting and reflects the position and responsibilities of each director as well as the level of contribution to the Company's performance. The amount of remuneration paid to outside directors is fixed taking into consideration their independence from the business execution function.

The amount of remuneration paid to each corporate auditor is determined following deliberations by corporate auditors. The amount falls within the scope (up to a maximum of ¥14 million per month) approved at the Annual Shareholders' Meeting and reflects the position of each corporate auditor.

The system of paying retirement benefits to directors and corporate auditors has been abolished.

## The Functions and Roles of Outside Directors and Outside Corporate Auditors

Osaka Gas appoints two outside directors and two outside corporate auditors. Outside directors participate in the decision making process as members of the Board of Directors and are expected to further enhance the auditing and monitoring functions of the Board of Directors. Outside corporate auditors are expected to fulfill their duties as auditors by monitoring the execution of operations by 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 in accordance with Japan's Companies Act, evaluating internal governance related to financial reporting in compliance with the Japanese Financial Instruments and Exchange Law, and holding hearings on the status 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.

## Criteria for Determining the Independence of Outside Directors and Outside Corporate Auditors

Osaka Gas has appointed two outside directors and two outside corporate auditors. In determining a particular appointment, the Company maintains specific predetermined criteria to ensure an appropriate level of independence. Outside directors and outside corporate auditors are not major trading partners of or major shareholders in the Osaka Gas Group, are not nor have they been executives or employees at other companies that are major trading partners of or major shareholders of the Group, and are deemed to be without any conflicts of interest with general shareholders.

| Classification  | Total amount of remuneration (millions of yen) | Number of payees |
|---|--|------------------|
| <b>Directors</b><br>(excluding Outside Directors)                   | 513  | 14               |
| <b>Corporate Auditors</b><br>(excluding Outside Corporate Auditors) | 64   | 2                |
| <b>Outside Directors and Outside Corporate Auditors</b>             | 42   | 5                |

Note: The number of persons and amount data includes four individuals who retired as of the close of the Company's 195th Annual Shareholders' Meeting held on June 27, 2013. Moreover, the total amount of remuneration is made up of a total amount and basic remuneration.

Appointment / Dismissal

### Board of Corporate Auditors

Osaka Gas has adopted the corporate auditor system. The Board of Corporate Auditors is comprised of four members, including two outside corporate auditors, who monitor and audit the duties and performance of directors. The 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 corporate auditors. It assists in investigations of corporate auditors to further ensure that their duties are fully and properly executed.

Members

**Corporate Auditors**  
Shingo Kamei  
Shiro Takenaka

**Outside Corporate Auditor**

Atsushi Hayashi

**Biography**

2008 President of the Takamatsu High Court  
2010 Professor of the Graduate School of Law, Kyoto University (current)  
2012 Corporate Auditor of the Company (current)

**Outside Corporate Auditor**

Yoko Kimura

**Biography**

2000 Professor, Faculty of Human Life and Environment, Nara Women's University  
2000 Member of Local Public Finance Council  
2010 Chairperson of the Board of Directors, Council of Local Authorities for International Relations  
2014 Advisor of Japan Center for Cities (current) Corporate Auditor of the Company (current)

Corporate Auditors' Office

### Independent Auditor of Accounts

For its accounting audit, Osaka Gas has concluded a contract agreement with KPMG AZSA LLC. In addition, 14 certified public accountants and 18 other staff assist in the accounting audit operations of the Company.

Dismissal

Report

Cooperation

Corporate auditors and the independent auditor of accounts meet on a regular basis to discuss annual audit plans and audit reports, and also convene as required to exchange audit information to ensure the effectiveness of the auditing activities.

Report

Audit

Audit

#### Executive Board

The Executive Board, which is comprised of the executive directors and senior executive officers, carefully scrutinizes relevant issues from a technical perspective.

#### CSR Promotion Council

#### CSR Executive

#### CSR Committee

#### Business Units

#### CSR & Environment Dept.

#### Compliance Dept.

#### Auditing Dept.

##### Strengthening Internal Control

Osaka Gas has established the Auditing Department (with a staff of 21) that functions as an internal auditing division and, based on a yearly auditing plan, monitors the appropriateness and efficiency of business activities and provides internal organizations with advice and recommendations. For business units, core Group companies, and other sections, the Group is working to enhance and strengthen the 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 and report to management.

CS Promotion Council

Executive Safety Committee

Environment Subcommittee

Social Contribution Subcommittee

Compliance Subcommittee

Corporate Human Rights Committee

Safety and Health Committee

CSR Promotion Organization

#### Risk Management Structure and Systems

The Osaka Gas Group has developed and used the Gas Group Risk Management System (G-RIMS) as a self-assessment risk management mechanism since the fiscal year ended March 31, 2007. Following an annual self-assessment by each division, the secretariat (Auditing Department, Compliance Department, Corporate Strategy Department, and Affiliated Business Department) holds discussions with each division to exchange opinions and monitor implementation. Depending on the assessment and concerning issues of particular importance that have been identified, steps are taken to ensure that pertinent information is commonly shared through reports presented to management. Each division head and manager is responsible for taking action to resolve any issues that have been identified. At the same time, steps are taken to secure an effective PDCA cycle through these risk management activities across the entire Group.