

Corporate Governance

Basic Stance Toward Corporate Governance

Osaka Gas believes it is important to achieve sustainable growth and increase medium and long-term corporate value by engaging in fair and transparent business activities. To achieve this, the Company looks to respond appropriately to the exercising of shareholder rights, work toward maintaining and increasing a sense of trust by dialogue and cooperation with its stakeholders, and enhance the level of the entire Group's corporate social responsibility (CSR). Further, the Group looks to respond swiftly to changes in the Group's business environment and continuously improve and strengthen its corporate governance so that transparent, fair and decisive decisions can be made and efficient and appropriate actions can thereby be implemented.

Representative Director
Tetsuo Setoguchi



Representative Director
Hidetaka Matsuzaka



Representative Director
Masataka Fujiwara



Representative
Director and Chairman
Hiroshi Ozaki



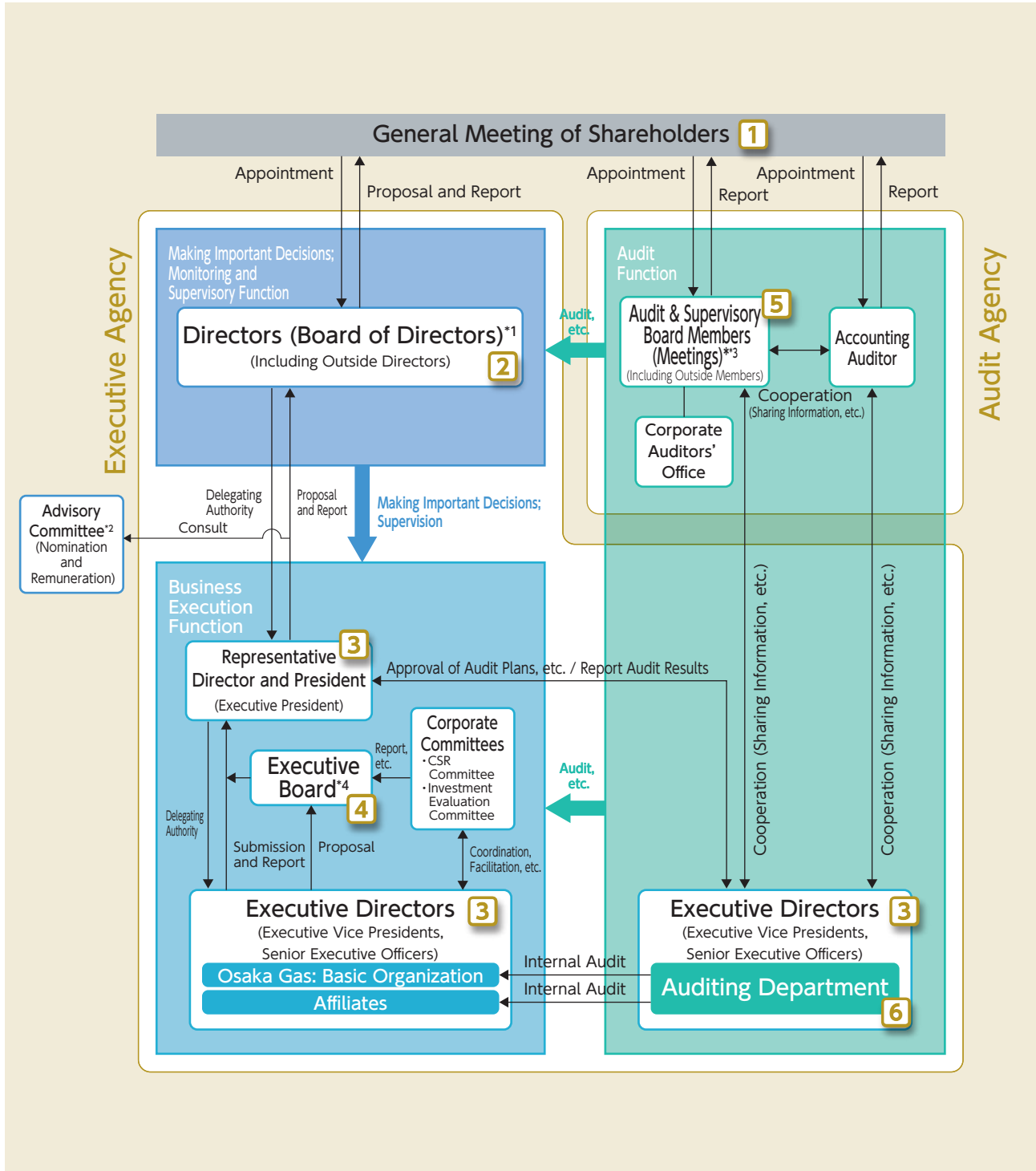
President
Takehiro Honjo



Corporate Governance System

Corporate Governance Organization Chart

(As of June 29, 2016)



*1 Board of Directors: 13 directors

(10 internal directors and 3 outside directors)

*2 Advisory Committee: 3 outside directors, 3 outside Audit & Supervisory Board Members, Representative Director and President and persons appointed by the President (up to two members who are Representative Directors)

*3 Audit & Supervisory Board: 5 Audit & Supervisory Board Members

(2 full-time Audit & Supervisory Board Members (internal) and 3 outside Audit & Supervisory Board Members)

*4 Executive Board: 1 Executive President, 3 Executive Vice Presidents and 8 Senior Executive Officers

Corporate Governance Promotion Organization and Activities

1 General Meeting of Shareholders

To allow shareholders time to carefully consider proposed resolutions, Osaka Gas sends out its general meeting notifications early (about four weeks in advance of the meeting). Before sending out convocation notices, the Company discloses them on the website of the Tokyo Stock Exchange and on the Company's website. The Company has adopted an electronic voting system in which voting rights can be exercised electronically over the Internet.

2 Board of Directors, Directors of the Company

The Board of Directors consists of 13 directors (including three outside directors; the number of outside directors was increased by one at the annual General Meeting of Shareholders on June 29, 2016). Its mission is to make swift and appropriate decisions about important matters that affect the whole Group including subsidiaries and to enhance supervisory capabilities. It met a total of 13 times in FY2015 and had an attendance rate of 98.8%. There was adequate time for deliberations, and active discussions were conducted.

3 Executive Officers

Osaka Gas has adopted an executive officer system, which enables the Directors of the Company to focus on decision-making and monitoring and supervisory functions, and worked toward strengthening the business efficiency and the supervisory functions by dynamically mobilizing the Board of Directors. Executive officers perform duties determined by the Board of Directors, and some Representative Directors and Directors concurrently serve as executive officers to make management decision-making more accurate and efficient.

4 Executive Board

Osaka Gas examines basic management policies and important management issues through the Executive Board and fully deliberates the foregoing before decision-making. In accordance with internal regulations, the Executive Board

consists of the Executive President, Executive Vice Presidents, Senior Executive Officers, Heads of Corporate Headquarters, and Heads of Business Division, and generally meets every week. In principle, CSR Promotion Meetings are held three times a year by the Executive Board, which deliberate on plans for CSR activities and make reports on CSR activities.

5 Audit & Supervisory Board, Audit & Supervisory Board Members

Osaka Gas has chosen the organizational form as a company with an Audit & Supervisory Board. The Audit & Supervisory Board consists of five Audit & Supervisory Board Members, of whom three are outside auditors and each Audit & Supervisory Board Member monitors the execution of work duties by the Directors. The Corporate Auditors' Office with a dedicated full-time staff of four which is not under the direct control of the directors has been established to support the Audit & Supervisory Board Members' auditing work and thus improve the auditing system.

6 Auditing Department

Osaka Gas has established the Auditing Department (with a staff of 21) that functions as an internal auditing division and, based on an annual auditing plan, monitors the appropriateness and efficiency of business activities. It provides advice and recommendations to internal organizations and affiliated companies, and reports its audit results to management. In the business units and core Group companies, the Group is working to enhance and strengthen the auditing and internal control functions by establishing internal auditors whose roles are clearly defined in the basic rules for affiliated companies and the self-auditing regulations that apply to all Group companies. Moreover, the Auditing Department works in partnership with the internal auditors to evaluate internal controls over financial reporting based on the Japanese Financial Instruments and Exchange Act and reports its results to management.

Corporate auditors, the accounting auditor and the Auditing Department meet on a regular basis to discuss annual audit plans and audit reports, and also convene as required to exchange audit information. This facilitates audit coordination and helps improve audit effectiveness and quality.

Risk Management

In the Osaka Gas Group, organizational heads of the Company and presidents of the affiliated companies promote the management of the risk of losses and periodically conduct risk management assessments. Each basic organization or affiliated company sets risk items by using the "G-RIMS (Gas Group Risk Management System)", which systematizes the self-assessment of risk management

practices, and checks the status of management concerning the risk items and provides follow-up.

Regarding the management of risks concerning security and disaster prevention which are common to the Group, the organization in charge is clearly specified, and the organization supports each basic organization and affiliated company to ensure risk management on a Group-wide basis. To prepare for emergencies, regulations for disaster countermeasure and business continuity plans are prepared.

Management Team

Directors



Representative Director and Chairman
Hiroshi Ozaki



President
Takehiro Honjo



Representative Director
Hidetaka Matsuzaka



Representative Director
Tetsuo Setoguchi



Representative Director
Masataka Fujiwara



Director
Kazuhisa Yano



Director
Eiichi Inamura



Director
Toshimasa Fujiwara



Director
Tadashi Miyagawa



Director
Hideaki Nishikawa



Director (Outside)
Shunzo Morishita



Director (Outside)
Hideo Miyahara



Director (Outside)
Takayuki Sasaki

Biography

1970.4 Joined Nippon Telegraph and Telephone Public Corporation
2004.3 Representative Director and President of Nippon Telegraph and Telephone West Corporation
2008.6 Director and Executive Advisor of Nippon Telegraph and Telephone West Corporation
2009.6 Director of the Company (current)
2010.6 Executive Advisor of Nippon Telegraph and Telephone West Corporation
2012.6 Chairman of the Board of Directors of Hanshin Expressway Company Limited (current)
2014.7 Senior Advisor at Nippon Telegraph and Telephone West Corporation (current)
2014.10 Commissioner of the Osaka Prefectural Public Safety Commission (current)
2015.3 NHK Board of Governors (current)
Board of Directors Meetings Attendance Record (April 1, 2015-March 31, 2016)
Attended 11 of 13 meetings of the Board of Directors.

Biography

1989.10 Professor, Faculty of Engineering, Osaka University
1998.4 Dean of the Graduate School of Engineering, Dean of the Faculty of Engineering, Osaka University
2002.4 Dean of the Graduate School of Information Science and Technology, Osaka University
2003.8 President of Osaka University
2007.9 President of the National Institute of Information and Communications Technology
2012.6 Representative Director of Knowledge Capital Association (current)
2013.4 Specially Appointed Professor, Graduate School of Information Science and Technology, Osaka University
2013.6 Director of West Japan Railway Company (current)
2016.4 Visiting Professor, Graduate School of Information Science and Technology, Osaka University (current)
2016.6 NHK Board of Governors (current)
Board of Directors Meetings Attendance Record (April 1, 2015-March 31, 2016)
Attended 13 of 13 meetings of the Board of Directors.

Biography

1970.4 Joined Japanese National Railways
2002.6 President, West Japan Railway Daily Service Net Company Co., Ltd.
2007.6 Vice President, West Japan Railway Company
2009.6 Vice Chairman, West Japan Railway Company
2009.8 President, West Japan Railway Company
2012.5 Chairman, West Japan Railway Company
2016.6 Senior Advisor, West Japan Railway Company (current)
2016.6 Director of the Company (current)

Corporate Auditor



Corporate Auditor
**Takahiko
Kawagishi**



Corporate Auditor
Akihiko Irie



Corporate Auditor
(Outside)
Yoko Kimura



Corporate Auditor
(Outside)
Eiji Hatta



Corporate Auditor
(Outside)
**Shigemi
Sasaki**

Biography

1987.12 Assistant Professor, Faculty of Home Economics, Nara Women's University
1993.10 Assistant Professor, Faculty of Human Life and Environment, Nara Women's University

2000.4 Professor, Faculty of Human Life and Environment, Nara Women's University

2004.12 Member of Local Public Finance Council

2010.4 Chairperson of the Board of Directors, Council of Local Authorities for International Relations

2014.4 Advisor of Japan Center for Cities

2014.6 Corporate Auditor of the Company (current)

2015.4 Director, Nara Prefectural University (current)

Board of Directors Meetings Attendance Record
(April 1, 2015–March 31, 2016) Attended 13 of 13 meetings of the Board of Directors. Attended 14 of 14 meetings of the Board of Auditors.

Biography

1985.4 Professor, Faculty of Economics, Doshisha University (current)

1996.4 Dean, Faculty of Economics, Doshisha University

1998.4 President, Doshisha University

2008.2 Chairman, Japan Student Baseball Association (current)

2009.4 Vice Chairman, Japan University Auditors Association (current)

2011.10 Chancellor, The Doshisha

2015.6 Vice President, Baseball Federation of Japan (current)

2015.6 Corporate Auditor of the Company (current)

2015.9 Director, Japan High School Baseball Federation (current)

Board of Directors Meetings Attendance Record
(April 1, 2015–March 31, 2016) Attended 11 of 11 meetings of the Board of Directors after his appointment on June 26, 2015. Attended 11 of 11 meetings of the Board of Auditors.

Biography

1974.4 Appointed as judge

2011.5 Chief Judge, Takamatsu High Court

2012.3 Chief Judge, Osaka High Court

2013.3 Retired from judgeship

2013.4 Professor, Graduate School of Law, Kyoto University (current)

2016.6 Auditor of the Company (current)

Director and Corporate Auditor Remuneration

To improve motivation for achieving sustainable growth and improving corporate value over the medium to long term, remuneration for directors and corporate auditors is paid as a monthly amount comprised of a fixed portion and a portion based on performance. However, the amount of remuneration paid to outside directors is fixed, taking into consideration their independence from business execution functions. To ensure objectivity and transparency in the decision-making process, the amount is determined by a resolution of the Board of Directors after deliberations by the Advisory Committee, the majority of whose members are outside directors. The amount falls within the scope (up to a maximum of ¥63 million per month) approved at the General Meeting of Shareholders and reflects the position and responsibilities of each director, as well as consideration for the levels paid by other companies. The Advisory Committee consists of outside and internal members. The outside members are all of the outside directors (three outside directors and three outside auditors), while the internal members are the president and individuals appointed by the president as deemed necessary (up to two other representative directors can be appointed). The head of the committee is elected by the members of the committee.

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 General Meeting of Shareholders and reflects the position of each corporate auditor.

Retirement bonuses for directors and corporate auditors have been discontinued.

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

Osaka Gas appoints three outside directors and three outside auditors. The selection of candidates for the position of director or auditor is made from a large pool of individuals in consideration of their knowledge, experience, expertise, and character. In addition, candidates for outside director are also screened for their independence and ability to make objective decisions, wide range of insight, wealth of experience, and high level of expertise in their field of specialization. Outside directors and outside auditors will hear about a variety of issues at Board of Directors' meetings, including the operation of internal control systems based on corporate law, the evaluation of internal controls as they relate to financial reports based on the Financial Instruments and Exchange Act, internal audits, and CSR activities. They will also confirm the content of accounting audit reports. Osaka Gas sets criteria for determining the independence of directors and corporate auditors, and since all of the outside directors and outside auditors meet these criteria, we can report that all of our directors and corporate auditors are independent with regard to the financial instruments exchanges on which we are listed.

Classification	Total amount of remuneration (million yen)	Number of payees
Director (excluding outside directors)	548	12
Corporate auditors (excluding outside corporate auditors)	64	3
Outside directors and outside corporate auditors	51	5

Note: The number of persons and amount data includes one director and one auditor who retired as of the close of the Company's 197th General Meeting of Shareholders held on June 26, 2015. Moreover, the total amount of remuneration is made up of a total amount and basic remuneration.