These are painted by children who are learning designing at an NPO “Children Design Education.” The children’s thoughts are attached to the pictures.

Left: “I drew a picture of a parent and child making sweets. The sweets must taste better when a family happily cook together than those made by one person.”

Right: “I drew a picture on a future environment as a theme. The picture represents the future world where people value nature and human, or otherwise.”

http://c0d0e.com/english/index.html
Notes about CSR Report 2016

The Osaka Gas Group reports material aspects of its CSR and its management scheme as well as associated activities for improvement.

The Osaka Gas Group deems that it is necessary for the Group to listen to people’s voices sincerely and conduct its business activities based on such voices, if it is to fulfill its corporate social responsibility (CSR).

The Osaka Gas Group identified important aspects for the Group’s CSR, which we call “materiality” or “material aspect,” by referring to the fourth edition of the Sustainability Reporting Guidelines (G4)—international guidelines being used in the course of preparing a sustainability report—while taking into account the current social situation and continuing dialog with stakeholders and experts in certain fields.

In this report, the identified material aspects will be categorized in line with each of the five charters set under the “Osaka Gas Group CSR Charter.” The Group will then prepare reports on the management situation regarding each material aspect and the degree of implementation of relevant measures. The Group will disclose as much as possible about activities other than those related to the material aspects so that a full picture of the Group’s CSR is made known to parties outside the Group.

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Outline of the Osaka Gas Group

Corporate Profile of Osaka Gas

Head Office: 4-1-2 Hiranomachi, Chuo-ku, Osaka 541-0046, Japan
Establishment: April 10, 1895
Commencement of operations: October 19, 1905
Capital: 132,166 million yen
Number of employees:
- Non-consolidated: 5,824
- Including operating officers, directors and temporary employees, and excluding executive employees temporarily transferred to affiliated companies
- Consolidated: 20,844

Osaka Gas Group Management Structure

Board of Directors
- Chairman / President
- Corporate Auditors / Board of Corporate Auditors
- Corporate Auditors’ Office

Corporate Headquarters

Osaka Gas Group Business Area

Gas Supplier of the Osaka Gas Group

Overseas Energy Businesses of the Osaka Gas Group

Financial Data of the Osaka Gas Group

- Sales by Segment of the Osaka Gas Group in FY2016
  - Gas: 66.0%
  - LPG, electricity and other energies: 14.8%
  - Life & business solutions: 15.9%

Main Business Lines of the Osaka Gas Group

- Business segments
  - Gas
  - LPG, electricity and other energies
  - Overseas energies
- Key business area
  - Sale of gas and gas appliances, gas pipelines installation, heat supply
  - Sale of LPG, electricity supply, sale of LNG, gas sale for industrial customers
  - Overseas energy supply, leasing of LNG tankers, development and investment regarding oil and natural gas
  - Development and leasing of real estate properties, information-processing services, sale of fire fighting materials and carbon material products

Osaka Gas Group Business Area

Number of Customers

- Number of Customers (1,000 households)
  - Non-consolidated: 6,032
  - Consolidated: 6,169

Gas Sales by Volume

- Gas Sales by Volume (Million m3)
  - 2014: 7,280
  - 2015: 7,280
  - 2016: 7,280

Operating Revenues

- Operating Revenues (Unit: million yen)
  - 2014: 1,321,012
  - 2015: 1,315,753
  - 2016: 1,319,753

Operating Profit and Net Income

- Operating Profit and Net Income (Unit: million yen)
  - 2014: 141,614
  - 2015: 137,485
  - 2016: 138,776

Outline of the Osaka Gas Group

(As of March 31, 2016)

Main Business Lines of the Osaka Gas Group

(As of March 31, 2016)
The Osaka Gas Group Aims to Become a Corporate Group by Helping Them in Terms of Both Livelihoods and Business, that Continues to Be Chosen by Customers and Society for Their "Further Evolution."

The Osaka Gas Group Aims to Become a Corporate Group by Helping Them in Terms of Both Livelihoods and Business, that Continues to Be Chosen by Customers and Society for Their "Further Evolution."

Aiming to become a company that can contribute to the creation of a sustainable society and that can grow itself sustainably,

The year 2015 will be remembered as a year in which the international framework for solving global social issues was upgraded, as characterized by the adoption by the United Nations General Assembly of the Sustainable Development Goals (SDGs) and the signing of the Paris Agreement at the 21st session of the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change.

Meanwhile, Osaka Gas currently faces the deregulation of the retail electricity and gas markets which brings a significant change in the business environment surrounding the Group. The Osaka Gas Group launched retail business of electricity, especially to households, in step with full liberalization of the power market in April 2016. As an April 2017, the retail gas market will be fully liberalized, intensifying competition among utilities seeking to tap into markets for small-lot gas users including households. To become a company which continues to be chosen by consumers amid such a drastic change in the business environment, the Osaka Gas Group will strive further to fulfill its corporate social responsibility (CSR) while promoting dialogue with stakeholders. The Group is committed to contributing to the sustainable development of society by creating four values—"value for customers," "value for society," "value for shareholders" and "value for employees"—through fair and transparent business activities.

FY2017 marks the final year of a medium-term management plan called "Catalyze Our Dreams," which is formulated to cover the three years from FY2015 to FY2017 in order to realize our long-term management visions, "Field of Dreams 2020." We will steadily implement the measures envisaged under "Catalyze Our Dreams," seeing the change in the business environment as an opportunity for growth, and further strengthening our ability to solve social issues and enhancing our market competitiveness, for the ultimate goal of realizing the Group’s sustainable growth.

Priority issues for FY2017

1. Domestic and overseas energy businesses
   - Stable and economical procurement of resources and promotion of upstream (development and production) and liquefaction businesses
   - We will promote stable and economic procurement of natural gas by diversifying LNG procurement sources and contract price indicators while participating in projects to develop and liquefy natural gas. As for projects in which we have already acquired a stake, we will implement them steadily.
   - We will also explore the possibility of acquiring new concessions in LNG development projects.

2. Life & business solutions business
   - Based on the technologies and business foundation our Group has developed through the energy business, we are committed to enriching the livelihoods of our customers and contributing to their business development. Specifically, we will provide various products and services that are competitive in such fields as material solutions, information solutions and urban development. By delivering such products and services, we will contribute to make our customers’ lives more comfortable while enhancing their convenience and health.

3. Strengthening our management foundation
   - On the technological development front, we will further increase the operational efficiency and reduce the cost of our gas appliances and facilities, including fuel cell systems. We will promote technological development regarding hydrogen, materials and information technologies, as well as utilization of engineering technologies in the fields of resource development and power generation businesses. For the Osaka Gas Group to strengthen its competitiveness and attain sustainable growth, we will create a business environment in which human resources with various attitudes can display their abilities to the fullest extent while aiming to establish a solid and flexible organizational structure for creating new values.

Pursuing high levels of CSR

Priority themes set for our CSR activities under the mid-term management plan "Catalyze Our Dreams" are "promotion of global compliance," "promotion of CSR activities for the entire value chain network" and "promotion of diversity." Also, we have identified an important aspect of CSR, called "materiality," based on the fourth edition of the GRI Guidelines.

While working on matters listed under the "priority issues for FY2017," we will enhance the management of issues associated with important aspects of CSR, including the reinforcement of security and safety in business operations and reduction of CO2 emissions.

In addition, we will strengthen our business activities in line with international norms such as the United Nations Global Compact, International standard ISO26000 and GRI guidelines while abiding by rules set under the Osaka Gas Group Corporate Principles, the Osaka Gas Group CSR Charter, the Osaka Gas Group Code of Conduct and the Osaka Gas Group Environmental Activities Policy.

By doing so, we will raise further the CSR level of the entire Osaka Gas Group—both in Japan and abroad—including compliance level.

Furthermore, we will continue to develop our CSR activities in collaboration with clients that form part of the entire value chain network of the Osaka Gas Group.

We are also promoting diversity under the Osaka Gas Group Diversity Policy. Specifically, we support female workers in developing and achieving their career goals while making full efforts to enable employees with specialties in various fields to work flexibly and efficiently.

Closing comments

The Osaka Gas Group is committed to creating four values with top priority given to creating "value for customers." We will further promote CSR-oriented management to help create a sustainable society and attain the Group’s sustainable growth.

August, 2016
Efforts Toward Full Deregulation of the Electricity and Gas Retail Businesses

Japan’s energy policy was reviewed following the March 2011 disaster that hit eastern Japan, leading to state reform of the electricity and gas market systems. Seeing the occasion full deregulation of retail of electricity in April 2016, the Osaka Gas Group commenced to sell electricity to households in the six prefectures of the Kansai region. In addition, Japan’s gas market is scheduled to be fully liberalized in April 2017. In view of the expected internationalization of energy services that cross over multiple energy sectors, the Osaka Gas Group is working on strengthening its business systems and organizational structure while enhancing neutrality of its gas business operations.

The Osaka Gas Group will grasp the possible effects on the environment and society from its electricity business operations, and ensure fairness and transparency in its business operations, while taking these effects into consideration. By doing so, the Group aims to transform itself into a comprehensive energy service provider.

Electricity and Gas Industry Reform

Purpose of the Reform

The central government has been proceeding with the reform of the electricity and gas industries as part of its policy of drastically reviewing the energy supply system in Japan following the major disaster that hit eastern Japan in March 2011. The reform is intended to ensure stable power supply and gas supply at reasonable prices while providing consumers with various energy options. Efforts to reform the electricity industry are advancing ahead of the one for the gas industry, with discussion focused on establishing a new legal framework.

Flow of the Reform

Amendments to the Electricity Business Act and the Gas Business Act were enacted following Diet passage in June 2015. The enactment concluded a time schedule for reforming the electricity and gas service systems. Before the enactment, retail sales of electricity and gas had been deregulated in a phased manner. The 2015 amendment paved the way for the complete liberalization of the retail power market in 2016, to be followed by the full liberalization of the retail gas market in 2017, including gas services for households, enabling all customers to choose their power and gas suppliers freely.

Effects Toward Full Liberalization of the Gas Retail Market

The Osaka Gas Group will further strengthen its relationship with customers and provide them with meticulously crafted customer-oriented services ahead of the scheduled full liberalization of the retail gas market. By doing so, the Group aims to become a comprehensive energy service provider that continues to be chosen by customers.

The Group will improve its business flows and business systems while enhancing the Group’s structure in response to changes in the business environment. The Group will also provide a variety of services in response to various customer needs, including housing support services called “Sukumita Services.”

Comprehensive energy business by the Osaka Gas Group

Refer to the article in the Group’s comprehensive energy business operations, shown on the following pages.

- Multi-Energy Business
- Housing support service known as the “Sukumita Services”
- “Rekka” and “HeiSOG”
- Purchase of surplus electricity using the “ENE-FARM type S” cogeneration system

Electricity Business of the Osaka Gas Group

Power Supply Areas and Power Supply Mechanism

The Osaka Gas Group began supplying electricity to households and business operators such as restaurants and merchandise shops in April 2016 following full liberalization of the retail power market. Areas where the Group can supply power are the six prefectures in the Kansai region (excluding Fukaura, Ako City, Higashine Town and Kitakami, Mito City, Mito City, and Mihama Town of Minamiminozaki City, and Fujisawa City). Even if trouble occurs at power stations operated by the Group, the Osaka Gas Group will provide electricity to its customers using power transmission and distribution networks operated by Kansai Electric Power Co., Inc., which means that the service quality and reliability will remain the same as those provided by Kansai Electric Power. The Osaka Gas Group has established a solid electricity supply system whereby power supply will not be suspended even if trouble occurs at power stations operated by the Group.

Possession of Diverse Power Sources

The Osaka Gas Group undertakes power generation business with diverse power sources, including fossil energy sources, cogeneration systems and renewable energy sources of its own. The combined power output capacity in and Gas Retail Businesses

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Factors Being Considered in Power Business Operations

Effects on the Environment

The Osaka Gas Group as a comprehensive energy service provider, recognizes that it is an extremely important mission for the utility to bring its electricity business operations into harmony with the environment. Among important challenges it has to address is the utility’s goal of helping create a low-carbon society by reducing CO2 emissions. At present, power sources possessed by the Group in Japan are capable of generating electricity with a combined output capacity of about 1.04 million kW, of which CO2 emission is assessed to be 3,667,800 t CO2.

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Senboku Natural Gas Power Plant

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Advantage as an Experienced Energy Company

The Osaka Gas Group has provided city gas in a stable manner for 110 years since its foundation. Since 2001, the Group has supplied electricity to business entities operating office buildings and manufacturing plants as a sales agent of ENNET Corporation. Based on its long-term experience and accumulated know-how as an energy service provider, the Group, as an energy service expert, has established a solid system wherein customers can continue to receive electricity in a stable manner.

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Management and CSR of the Osaka Gas Group

Seeking Further Evolution in Quality of Life and Business

Corporate Principles and CSR Charter of Osaka Gas Group

The Osaka Gas Group gives the highest priority to creating "value for customers." The Group believes that creating in 2000 as guiding principles for Group executives and employees, was revised in 2008 to be more reflective of what is shown in the United Nations Global Compact. The Code of Conduct was also revised in 2011 to cover core subjects taken up under ISO 26000.

Furthermore, the Osaka Group introduced "CSR Indicators" in 2009 to promote and visualize its CSR efforts. Currently, we are striving to achieve CSR goals set for a three-year period ending in March 2017. We also introduced indicators corresponding to material aspects that were identified in fiscal 2015. While taking the indicators into account, we are promoting effective CSR management.

Osaka Gas Group Corporate Principles

Osaka Gas Group powers continuous advancement in consumer life and business.

[Our Commitments]
The Osaka Gas Group aims to create four values.

1. Value for customers
   - Osaka Gas Group is committed to providing services that meet customer expectations for comfort, convenience and reliability in diverse fields.

2. Value for society
   - Osaka Gas Group works continuously to support sustainable development and environmental protection in society through business, mindful of compliance and transparency.

3. Value for shareholders
   - Osaka Gas Group is committed to meeting shareholders’ expectations for stable, long-term growth and optimized corporate value, while maintaining its sound financial foundation.

4. Value for employees
   - Osaka Gas Group is committed to respecting the individuality of employees and providing opportunities to pursue their careers and achieve self-development.

Osaka Gas Group Code of Conduct

How the U.N. Global Compact and ISO 26000 are related to the Osaka Gas Group Code of Conduct

OSAKA GAS GROUP CSR REPORT 2016
OSAKA GAS GROUP CSR REPORT 2016
Management and CSR of the Osaka Gas Group

Integration of CSR with Management Strategy

The Osaka Gas Group has drawn up a long-term management vision toward 2020, called “Field of Dreams 2020,” and also set long-term business goals, both to implement the Group’s long-term challenging task of business reshaping. By not only pursuing the company’s growth but also meeting rising expectations from society, we are striving to carry out high-level CSR with fully integrating it into our management strategy.

The Osaka Gas Group has formulated a medium-term business plan called “Catalyze Our Dreams,” covering the three years between FY2015 and FY2017, to realize the long-term management vision. The word “catalyze” represents our commitment toward changes to our business as if it were being empowered by the force of a catalyst, a substance that makes a chemical reaction happen faster. By having all of our employees act like a catalyst, the Osaka Gas Group will accelerate its efforts to evolve into a “comprehensive energy business operator” that can respond to possible future changes in the business environment, such as moves to regulatory reform of the electricity and gas industries.

In fiscal 2016, the second year of our medium-term business plan called “Catalyze Our Dreams,” we engaged in CSR activities in line with the management plans listed on the right-hand page. As a company which remains chosen by all stakeholders, we will strive for development of both the Company and society.

Long-Term Management Goals for the Osaka Gas Group

Broadening of Business Fields

The Group establishes the three core businesses of “domestic energy businesses”, “international energy businesses” and “life & business solution businesses” by proactively making growth-oriented investments.

Enhancement of Corporate and Business Quality

The Group fulfills a high level of CSR as an excellent company which renders services to people, businesses, and communities while more than meeting growing social expectations (level of commitment, disclosure).

Changes in business environment surrounding Osaka Gas Group

(March 2011 earthquake in eastern Japan, electricity and gas industry regulatory reform, shale gas revolution and others)


1 Strengthening the energy business in the Kansai region

While enhancing the energy business in the Kansai region as the core business, the Osaka Gas Group aims to develop into the “Comprehensive Energy Business Operator” that can respond to a variety of requests from customers.

2 Expanding the area of the energy business

The Osaka Gas Group aims to expand its energy businesses both in Japan and abroad by utilizing its accumulated know-how.

3 Creating the next “core” businesses

The Group will embark on the challenging task of expanding its businesses in markets with growth potential by taking advantage of its strengths in the international energy businesses and life & business solution businesses.
Corporate Governance

Basic Views on 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 appropriate actions can thereby be implemented.

System and Efforts Aimed at Enhancing Corporate Governance

Osaka Gas has chosen to be a company that adopts a corporate auditor system. The Company has also adopted an executive officer system. The Company’s corporate governance system is shown below.

- **Board of Directors, Directors of the Company**
  The Board of Directors consists of 13 Directors, including three Outside Directors, as of the end of a regular general shareholders’ meeting on June 29, 2016. By rotation, it is made clear and appropriate decisions concerning important matters that affect the Group as a whole including subsidiaries, and reinforce the supervisory function of the Board.

- **Executive Officers**
  Osaka Gas has adopted an executive officer system, which is aimed at revitalizing the activities of the Board of Directors, and ensuring the supervisory function while increasing the Company’s management efficiency, by enabling Directors to focus on decision-making, and monitoring and supervisory duties. Under the executive officer system, Executive Officers perform duties determined by the Board of Directors, while some Representative Directors and Directors concurrently serve as executive officers to make management decision making more accurate and efficient.

- **Executive Board**
  Osaka Gas makes decisions on important matters concerning basic management policies and risk management, and plays a coordinating role between relevant departments or divisions.

- **Advisory Committee**
  The Advisory Committee deliberates on matters other than the Executive Board, as instructed by the Board of Directors. It consists of three Outside Directors, three Outside Auditors, and those nominated by the Representative Director and President (up to two persons chosen from among other Representative Directors).

- **Corporate Auditors**
  Osaka Gas has chosen to be a company that adopts a corporate auditor system. The Corporate Auditors perform duties determined following deliberation by voluntary Advisory Committee, the majority of whose members are Outside Directors.

- **CSR Committee**
  The CSR Committee is established by the CSR Executive, in charge of controlling CSR activities of the Osaka Gas Group, with its members chosen from among the chief of relevant divisions and departments. The CSR Committee promotes CSR activities in such fields as the environment, compliance, regional contribution, human rights, employment, information security and risk management, and plays a coordinating role between relevant departments or divisions regarding these activities.

- **Investment Evaluation Committee**
  The Investment Evaluation Committee is chaired by the Head of the Corporate Planning Headquarters (HQ), with its members chosen from among the General Managers of relevant divisions and departments. The committee evaluates investment risks and returns for investment projects of a certain scale. The evaluation, paid forward to the Executive Board, is used for appropriate investment decisions.

Audits by Internal and Outside Auditors

The Company 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 key information to organizations and affiliated companies with advice and recommendations, while reporting audit results to the Executive Board. 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,” both commonly shared by Group companies, more clearly define the roles and duties of internal auditors, based on which internal auditors have been deployed as well as self-auditing has been conducted. Moreover, the Auditing Department, in cooperation with internal auditors, evaluates internal controls in connection with the compilation of financial reports, based on the Japanese Financial Instruments and Exchange Law, and reports the evaluation results to the Executive Board.

The Corporate Auditors’ Office has been established as a way of supporting the Board of Corporate Auditors. Composed of four full-time staff working outside the chain of command of Directors, the office is designed to assist Corporate Auditors in their research activities to ensure that their duties are fully and properly executed.

The Auditing Department, Corporate Auditors and Accounting Auditors meet on a regular basis to discuss annual audit plans and audit results, and also convene whenever necessary for information sharing. These meetings are intended for the department, Corporate Auditors and Accounting Auditors to enhance their mutual collaboration to strengthen the effectiveness and quality of their auditing activities.

Outside Directors and Outside Auditors

Osaka Gas has three Outside Directors and three Outside Corporate Auditors.

Outside Directors meet the “independence” criteria set by the Company for such people to be deemed as independent directors or independent auditors. Therefore, all of these people have been registered to securities exchanges where the Company is listed as “independent” directors or “independent” auditors.

Risk Management

Heads of divisions of Osaka Gas and affiliates are in charge of managing cross-related losses by conducting risk-management inspections on a regular basis. Utilizing the “Gas Group Risk Management System (G-RIMS),” an original system developed by Osaka Gas for self-assessment of risk management practices, each division and affiliate checks if risk control has been conducted properly regarding each risk item and devices follow-up measures if necessary.

As for risk management regarding matters that affect the entire Osaka Gas Group, such as safety, security, and disaster and accident prevention, the departments or divisions responsible have been clarified to support each division. In order to be prepared for disasters or emergency situations, the rules for disaster control and the business continuity plan (BCP) in the event of large-scale disasters and accidents are established and shared throughout the Group.

Status of Internal Control

The Company establishes systems (internal control systems) to ensure that the directors of the Company execute the duties in compliance with the laws and regulations and the Articles of Incorporation and other systems necessary to ensure the properness of the Group’s operations. The Company confirms the operating status of the internal control systems on a periodic basis by regular reports from the organization heads and other persons concerned. At the meeting of the Board of Directors held on April 27, 2016, it was reported that the internal control systems were operated in a proper manner.
CSR Management

The Osaka Gas Group Promotes CSR

The Osaka Gas Group aims to become a corporate group that helps further evolution of customers’ livelihood and businesses. To this end, the management and employees act based on the “Osaka Gas Group CSR Charter” which stipulates basic concept of our CSR.

As the Group’s business field is expanding, the scope of its stakeholders—customers, local communities, shareholders and employees—all of whom are affected by our business operations, is expanding.

We deem it necessary to operate our business taking into account its possible effects on the environment and society. Based on this perception, in fiscal 2014, we identified 16 important aspects for the Group’s CSR, which we call “materiality,”* based on the opinions of outside experts.

Focusing our attention mainly on the identified materiality items, we will, under the CSR Promotion System, appropriately evaluate the results of our efforts and indicators in order to make the PDCA management more effective. In addition, we will accurately recognize expectations and requests from society through dialogue with stakeholders both inside and outside the Company, with the aim of enhancing our CSR level.

*Refers to p. 17 for details on materiality.

CSR Promotion System

The Osaka Gas Group makes efforts to implement its CSR activities appropriately and positively by setting up supervisory bodies such as “CSR Promotion Council” and “CSR Committee.”

The CSR Promotion Council is where executives of Osaka Gas discuss activity plans and activity reports under the leadership of the President. At the “CSR Committee,” its members composed of the head of business units undertake cross-departmental coordination under the leadership of the CSR Executive (Vice President).

To deal with fields covered by the Osaka Gas Group CSR Charter, cross-departmental subcommittees responsible were established, enabling promotion of CSR activities in a cross-departmental manner.

In fiscal 2017, a “Risk Management Subcommittee” was created as part of the Group’s efforts to strengthen its overall risk management.

Dialogue and Cooperation with Stakeholders

The Osaka Gas Group is focusing on active engagement with stakeholders through dialogue to recognize various possible issues involved in its CSR and to come up with mutually acceptable solutions to such issues.

For example, the Osaka Gas Group has been promoting dialogue with the Kansas Consumers’ Association, the Osaka Voluntary Action Center, and the Osaka Gas Labor Union. Furthermore, the Group is sharing information with the Japan Network of the United Nations Global Compact, and actively taking part in the formulation of various policy measures by the government and municipalities. The Group is also active as a member of the International Gas Union (IGU) putting forward proposals, aimed at promoting the global gas industry.

One of the results of such engagement is that 5 business associations formed by partner companies undertaking gas-related services established the “Code of Ethics” respectively in response to the Group’s policy. The Group is also actively working with universities, universities and NPOs, NPOs, so as to have them reflect in our efforts to improve business operations and service quality, and develop new products.

We will continue to step up collaboration with the relevant parties to obtain our goal of increasing customer satisfaction.
Management and CSR of the Osaka Gas Group

Key Performance Indicators of Osaka Gas Group

The Osaka Gas Group believes that it should engage in its business activities while grasping and managing the possible effects on society of its activities as an energy business operator.

To this end, the Group introduced CSR Indicators by which the level of management and transparency of CSR activities to be accelerated.

Apart from the CSR indicators, the Group, as a way of fulfilling its social responsibility, identified aspects deemed important (materiality) after hearing opinions from outside knowledgeable people, taking into account the characteristics of its business and areas where it operates, and in line with procedures stipulated in the fourth edition of the GRI Guidelines (G4).

In fiscal 2015, indicators for identified materiality were introduced to assess the level of activities.

CSR Activities

<table>
<thead>
<tr>
<th>G4 Indicators</th>
<th>Key Performance Indicators</th>
<th>FY2016 Target</th>
<th>FY2016 Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Satisfaction Survey: Seven Customer Service Duties</td>
<td>Overall satisfaction rate</td>
<td>87% or more</td>
<td>91.9%</td>
</tr>
<tr>
<td>Customer Health and Safety</td>
<td>Percentage of city gas for which health and safety impacts are assessed for improvement</td>
<td>G4-PRI1</td>
<td>100%</td>
</tr>
<tr>
<td>Product and Service Labeling</td>
<td>Customer satisfaction rate for customer service duties including safety</td>
<td>G4-PRI5</td>
<td>87% or more</td>
</tr>
<tr>
<td>Environmental Management Indicator</td>
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</table>
Management and CSR of the Osaka Gas Group

CSR Efforts Throughout the Value Chains

Osaka Gas’s task of delivering city gas to customers can’t be achieved without the cooperation of various business partners—not only Osaka Gas Group companies but also business partners. We believe it is necessary for Osaka Gas to control the social and environmental effects that are generated in its business process in the most responsible manner and in close cooperation with our business partners.

Osaka Gas has adopted “CSR Procurement Guidelines” as a way to fulfill its CSR in procurement activities and disclosed that on its website. New materials suppliers have been briefed about the Guidelines, before starting business transactions with Osaka Gas. Major suppliers are to be asked to reconfirm the content of the Guidelines during an annual CSR survey on them as part of our follow-up efforts. Our CSR survey for fiscal 2016 covered gas appliance makers and companies engaging in the gas business on a consignment basis, such as gas service chains and gas pipeline construction companies. Our “Green Partner Initiative,” applied to pipeline materials suppliers, was revised in that year.

We will continue to work with our suppliers to fulfill our CSR and aim to promote mutual prosperity in the entire value chain, from LNG drilling to marketing, sales and consumption.

### CSR Survey Conducted in FY2016

<table>
<thead>
<tr>
<th>Companies covered by the survey</th>
<th>Number of companies surveyed</th>
<th>Number of companies which replied</th>
<th>Other efforts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main suppliers, including gas pipeline material makers</td>
<td>191 companies</td>
<td>185 companies</td>
<td>Revision to the “Green Partner Initiative”</td>
</tr>
<tr>
<td>Gas appliance makers</td>
<td>39 companies</td>
<td>34 companies</td>
<td>Holding of an educational seminar on the Electric Industry Code of Conduct</td>
</tr>
<tr>
<td>Gas service chains and gas pipeline construction companies</td>
<td>238 companies</td>
<td>140 companies</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>466 companies</strong></td>
<td><strong>359 companies</strong></td>
<td></td>
</tr>
</tbody>
</table>
Creating Value for Customers

Fundamental concept

The Osaka Gas Group is committed to making a positive contribution to realizing a higher level of comfort and development in the business activities of its customers through stable procurement and safe supply of natural gas and other energies, and ensuring of safe use of gas equipment with an improved level of services for its customers. We believe that an important foundation in realizing this will be ensuring security so that customers can use energy without worry. We will endeavor to provide products and services that give utmost reassurance to safety and to take on the challenge of creating new value in line with customers’ wishes in order to be a corporate group that continually evolves and develops alongside its customers.

Customer Satisfaction Survey: Seven Customer Service Duties

The “Customer Satisfaction Survey” covers seven operations that deal directly with customers: opening of gas lines, repair of gas appliances, regular security patrol (gas facilities inspection), response to telephone inquiries, sales of appliances, security emergency response, and replacement of gas meters upon expiration of the validity period. A questionnaire form is mailed out after the completion of each operation, and assessments of respondents received are then analyzed. Customer satisfaction is graded on a scale of one to six, and “overall satisfaction rate” is the ratio of responses in the top two grades to the total number of responses.

Percentage of city gas for which health and safety impacts are assessed for improvement against total city gas provided by Osaka Gas (Law 5-228) — processing, supply, and sales and consumption in the corresponding business units. The “Head of Safety” (Vice President) and the person heading each Business Unit’s safety operation offer advice on inter-section and inter-divisional matters.

The Vice President in charge of safety operations, the person in charge of safety operations at each Business Unit and the chiefs of the relevant departments—who together constitute the Executive Safety Council—convene a regular safety and security meeting (five times per year) to work out safety activity plans and assess the achievements made in the relevant term. Efforts to ensure and enhance the safety of the city gas supply and gas appliances are also being planned and conducted at each Business Unit.

In fiscal 2016, each procedure is conducted based on guidelines in accordance with laws and regulations as well as in-house rules in the processes such as quality control of gas in LNG (LLG) terminals; safety inspection of gas pipelines and supply facilities, as well as gas appliances at customers concerned.

We are striving to improve supply networks so that customers can use city gas safety and without worry.

Voices from clients

Tomoyuki Shimada
Manager, Osaka Gas Group Public Relations Department

The main duties I am assigned include the maintenance and management of gas-supply facilities to ensure their sound operations and the adjustment of pressure inside gas pipelines. I take on these tasks so that our customers can use city gas 24 hours a day, 365 days a year without worry.

In the future, I will continue top priority on ensuring the safety of customers and stable supply to their households. I will continue to do all I can to ensure the safety of gas-supply facilities and supply city gas to customers safely.

Preparation for disaster prevention

From our experience of the earthquake occurred in Kobe, we have made every effort to prevent disasters incurred by earthquakes. Those efforts include enforcement of safety-related measures in LNG terminals, replacement of city gas pipes with polyethylene pipes (approx. 130,000 km installed), installation of intelligent meters that detect vibrations from the earthquake and shut off the gas supply, of which penetration rate reached 90%. Simultaneously, we are also developing a robust and resilient value chain in city gas service.

To allow customers to receive our service without worry, we are working on maintaining the quality of city gas being supplied at high levels while ensuring stable gas supply and the safety of gas-processing and supply facilities.

Customer Health and Safety

To realize a higher level of comfort and development in the business activities of its customers, The Osaka Gas Group is committed to making a positive contribution to realizing a higher level of comfort and development in the business activities of its customers. We continue to offer customer-oriented services based on improvement of 0.9 percentage point from the preceding year.

The overall satisfaction rate was 91.9% in fiscal 2016, representing a ratio of responses in the top two grades to the total number of responses.

In fiscal 2016, we revised our efforts to improve customer satisfaction (CS). Specifically, we observed the behavior of Osaka Gas staff who received high CS grades in four of the seven customer-service fields—opening of gas lines, repair of gas appliances, sales of appliances, and response to telephone inquiries. This is what we call “behavioral observation.” The observation results were analyzed and developed as a customer-service manual in each field for use by all other staff.

* “Behavioral observation” is a methodology for identifying and presenting solutions based on the academic analysis of facts and findings obtained through the observation of people’s behavior.
**Efforts to Ensure Safety and Ease Customers’ Worry**

**Ensuring stable LNG procurement by diversifying sources from which Osaka Gas Imports**

While reserves of oil are concentrated in the Middle East, natural gas can be exploited around the world. Natural gas’s reserve-to-production ratio is also much longer than that of oil. *These factors make natural gas an advantageous source of energy.*

In 1972, Osaka Gas began importing liquefied natural gas (LNG) from Brunei, and since then we have made efforts to diversify our sources. Today we import LNG from the eight countries of Brunei, Indonesia, Malaysia, Qatar, Oman, Russia, and Papua New Guinea. We also plan in 2018 to start a natural gas liquefaction project in the US state of Texas, aiming to ensure more stable procurement.

**Development and commercialization of a LNG tank using state-of-the-art technologies**

Construction of the No. 5 LNG tank at the Sanboku LNG Terminal, which began in 2012, was completed and its operation started in December 2015. The material of the interior wall of the tank is made from 7% nickel (Ni) steel, which contains 20% less of the rare metal nickel than conventional 9% Ni steel. This technology contributes to reducing procurement of material, the precious earth resource.

In addition, the Slipform engineering method* was employed in the construction of the concrete wall that constitutes the outer part of the tank. The use of this engineering method, the first for a domestic LNG tank, enabled significant shortening of construction duration.

The completion of the No. 5 LNG tank further ensured a stable city gas supply.

**Building a wide-area gas pipeline network**

Osaka Gas has a network of pipelines throughout the entire Kansai region to deliver city gas to its customers. Gas is sent from the terminal at high pressure, which is then gradually reduced to medium and low pressure by gas pressure regulators installed along the pipelines. Also situated along this network of pipelines are gas holders that allow temporary storage and thus more effective control of fluctuations in demand. This system ensures that customers throughout the network whether they are in homes, office buildings, or factories get a safe and stable supply of gas.

These pipelines are constantly being expanded in line with our long-term supply plans. As part of our planned expansion, we completed the pipelines between Mei and Shiga and between Himeji and Okayama in 2014.

**Preparing for large earthquakes**

Osaka Gas has always had a range of measures for dealing with large earthquakes, such as earthquake-resistant polyethylene pipe*, intelligent meters that detect vibrations from the earthquake and shut off the gas supply, as well as an emergency communications network. However, the Great Hanshin-Awaji Earthquake of 1995 prompted us to step up these measures.

We have seismometers installed in 258 locations in the Osaka Gas service area, which allow us to quickly determine the seismic intensity and other information.

To prevent secondary damage from earthquakes, the service area is divided into blocks, each of which can have its gas supplies shut off separately. This is possible thanks to a system of automatic gas shutoff devices which installed seismoscope (approx. 3,000 locations in total) in case of a tremor, as well as remote shutoff devices (approx. 3,000 locations in total) that can be activated to stop gas supplies from the Central Control Room of the head office. If the Central Control Room is physically damaged, a sub-center with a similar function, set up in Kyoto, will take over its task.

In addition, we are also making constant efforts to improve employees’ ability to respond to emergencies, such as company-wide earthquake drills and education using e-learning.

In fiscal 2016, a company-wide earthquake drill and a drill in line with the Business Continuity Plan (BCP*) were conducted simultaneously to identify issues arising from the execution of both response to the disaster and efforts for ensuring business continuity, while verifying the initial anti-quake response was conducted under the scenario of an earthquake with a maximum seismic intensity of 7 occurring in the Nara Basin. About 2,400 employees participated in the drill, held as a company-wide event. In the training, President Honjo headed a task force set up at the headquarters to work out various measures in response to the assumed earthquake. Through the task force, the participants shared information, including the extent of the damage caused, while confirming the process of decision-making in the event of a disaster, such as how to establish a response-action system and whether to suspend the gas supply. A practical drill was conducted at each department and division. Under the BCP drill, it was confirmed how to allot employees who are to be assigned to important business operations that are required to continue even in the event of a contingency, along with the procedures thereof.

**Weather data collection system enabling Osaka Gas to grasp information on accumulated rainfall during typhoons, torrential rain and landslide disasters in an integrated manner**

Osaka Gas developed a system to obtain weather information, such as accumulated rainfall during typhoons and torrential rain and landslide disasters, in an integrated manner. The system, dubbed “the typhoon and torrential rain information system,” began operation in July 2015.

Previously, Osaka Gas had collected weather information by separately referring to websites operated by such organizations as the Japan Meteorological Agency and the Ministry of Land, Transportation and Tourism. The new system enables the Company to gather weather data in its service area in an integrated manner and more expediently, making its initial response action in the event of typhoons and torrential rain more effective.

**Informing customers about gas appliance safety**

To ensure that customers can use their gas appliances with peace of mind, we take every opportunity to talk to them about the safety of their appliances: during regular safety inspections, when providing a new gas service, and when conducting repairs. The Osaka Gas website has a section with important announcements on gas appliances, where we talk about the proper use of gas appliances, and post prompt notices about product modifications or defects.

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* LNG Imported by Osaka Gas*[^1]

<table>
<thead>
<tr>
<th>Country</th>
<th>Tons (1,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei</td>
<td>1,325</td>
</tr>
<tr>
<td>Australia</td>
<td>1,063</td>
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<tr>
<td>Oman</td>
<td>507</td>
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<tr>
<td>Malaysia</td>
<td>429</td>
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<tr>
<td>Indonesia</td>
<td>763</td>
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<tr>
<td>Qatar</td>
<td>1,451</td>
</tr>
<tr>
<td>Russia</td>
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<td>Other</td>
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</table>

[^1]: The amount of LNG for electricity generation and wholesale trade is included.

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* The engineering method that equipment is mounted at high pressure using a hydraulic jack while reinforcing and concreting work are simultaneously underway.

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* One of the measures for dealing with large earthquakes.

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* For more detailed information, please refer to the Web site. (http://www.osakagasi.co.jp)
Major Activities in FY2016

Efforts to Reflect Customers’ Opinions

Sharing customer voices throughout the Company

Osaka Gas has established a database system called “C-VOICE” to share customer opinions and demands among all employees. The company has reflected such customer voices in its business operations, product development and service quality.

Customers’ voices reaching the Company daily—including both positive and negative comments—are sorted out by the end of each day and filed into the “C-VOICE” system, to be shared the following day not only by the relevant sections and departments but also by top management officials and all other employees. Osaka Gas has adopted a policy of sharing all information about customers among all of its employees—not only facts and response to customers but also preventive measures and system improvement measures being devised in response to complaints and opinions. In fiscal 2016, the Company improved its in-house response system to enable speedier response to customer complaints and opinions. For example, responses for negative comments requiring immediate fact-finding and formulation of preventive measures are to be decided ahead of schedule.

Multi-Energy Business

Positioning the electricity business as the second most important business after the gas business

Amid diversifying customer needs for energy services due to the accelerated deregulation of the energy market, the Osaka Gas Group is acting as a comprehensive energy supplier to propose the best mix of energy sources, including natural gas, electric power, liquefied petroleum gas (LPG) and thermal energy, with the aim of enhancing value for customers.

In particular, we have been positioning the electricity business as the second most important business after the gas business. In fiscal 2010, the Senboku Natural Gas Power Plant (capacity: 1.109 million kW) went into operation as one of our key power plants. In addition, in Japan, we operate five fossil-based power plants and three cogeneration systems, while participating in five wind power businesses and six solar power businesses as part of our efforts to promote power generation from renewable energy sources. Our overseas IPP business includes investment in fossil-based power plants, wind power projects and solar power projects in North America and Australia. In 2015, we invested in St. Charles Power Project, a natural gas power station located in Maryland, the United States.

These projects give the Osaka Gas Group power sources totaling about 2.92 million kW as of the end of March 2016; about 1.84 million kW in Japan and about 1.08 million kW overseas (concessions owned by Osaka Gas).

Meanwhile, as part of our efforts to expand our LNG and city gas sales into broader regions across Japan, we supply part of the LNG we purchase to large-lot customers and other energy service operators in non-Kansai regions, using LNG tank trucks and ships dedicated to carrying LNG. In fiscal 2017, we will begin providing LNG to Hiroshima Gas Co., Ltd. In overseas operations, we acquired an equity stake in Erogasmet S.p.A. of Italy, which marked the first time that Osaka Gas engaged in the city gas distribution business overseas.

In the future we will continue to work with energy companies in other regions to promote our multi-energy business, including our power business, and offer a variety of energy solutions to customers.

Total power generation capacity

- Total power generation capacity (domestic)
  - Fossil-based power generation: 1.63 million kW
  - Cogeneration systems: 0.09 million kW
  - Renewable energy sources: 0.12 million kW

- Total power generation capacity (overseas)
  - Fossil-based power generation: 0.98 million kW
  - Renewable energy sources: 0.10 million kW

Proposal for Creating New Value

Launch of “Sumikata Service (Home Services)”

Contribution to realizing a higher level of comfort and security in people’s lives by combining various housing-support services with basic energy services to be provided to households

Osaka Gas launched a housing support service called “Sumikata Service,” which combines various housing-support services to gas and electricity services to be provided to households, to make a positive contribution to realizing a higher level of comfort and security in people’s lives.

The “Sumikata Service” consists of three basic services—housing support aimed at realizing a higher level of comfort and security; housing renovation services, and water-related facility repair services.

For example, in water-related facility repair services, Osaka Gas service chains act expeditiously in response to inquiries from customers while using the technological expertise acquired through the maintenance and repair of gas appliances in repairing water-related facilities including kitchens, baths, bathrooms and toilets.

Overview of “C-VOICE”

- Department in charge: Service Center, Secretariat
- Analysis of issues: Secretariat
- Reference: Management / Development
- Sharing: Information
- Management / Employees
- Active team
- Database
- Registration in database
- C-VOICE database

Stakeholder Comment

It is the time when the true values offered by Osaka Gas are put to the test.

An interim report compiled in June 2016 by the Consumer Affairs Agency study team on ethical consumption states the significance for energy service providers in responding to consumers’ moves to seek ethical consumption as follows; improving their risk management ability through socially friendly and environment-friendly activities at each stage of distribution, enhancing their competitiveness through the solution of social and environmental issues, earning trust and confidence from stakeholders.

Deregulation of the electricity and gas markets has progressed in Japan. The power market has been completely liberalized. Full liberalization of the gas market is scheduled to be completed next year, intensifying competition in the Japanese energy market. Under these circumstances, consumers are beginning to give high marks to Osaka Gas for its positions on business policies.

Osaka Gas has taken various measures to ensure safety of gas business in the past, including implementing safety and security steps for customers, replacing old gas pipes under meticulously crafted plans, and taking anti-disaster measures. By implementing all these measures, the Company has worked on enhancing customer satisfaction.

It is the time when the true values offered by Osaka Gas are put to the test. We hope Osaka Gas will respond to the voices of consumers sincerely and step up its efforts to promote business innovation in an ethical fashion.
Major Activities in FY2016

Harmonizing with the Environment and Contributing to Realizing a Sustainable Society

Fundamental concept

Through the provision of products and services, including natural gas, the Osaka Gas Group is committed to reducing the environmental impact of business activities. By harmonizing its business activities with the environment, the Group will strive to create a sustainable society.

Environmental conservation on a local and a global scale is an extremely important mission for the Osaka Gas Group, whose operations center on the energy business. In accordance with the "Osaka Gas Group Environmental Activities Policy" we established in 2006, the Osaka Gas Group is lessening the environmental impact of its business activities through the provision of natural gas and other products and services. And through our business activities, we contribute to environmental improvement and the development of sustainable societies locally, nationally, and internationally by pursuing harmony with the environment and making efficient use of energy and resources.

CSR Indicator

Environmental Management Indicator: Environmental Management Efficiency

The Osaka Gas Group uses "Environmental Management Efficiency" as an indicator to assess progress in environmental management in a continuous, integrated manner. This indicator is the total monetary value of seven environmental impacts* per gas sold. The smaller the figure for environmental management efficiency, the greater the reduction in environmental impact per amount of gas sold.

* Gas emissions, NOx emissions, COD (chemical oxygen demand), final disposal of general/industrial waste, final disposal of excavated soil, chemical emissions, use of water supply and industrial water.

The environmental management efficiency for FY2016 was given as 59 yen/1,000 m³, showing steady progress toward achieving the goal set for FY2017.

Actions taken

Actions to reduce the environmental impact to improve its Environmental Management Efficiency

The Osaka Gas Group implemented measures including continuous operation of cryogenic power generation facilities at LNG terminals, enhancement of the "Green Gas Buildings" activities facilitating installation of energy-saving measures at office buildings, and improvement of efficiency of experiment for gas appliances at our research and development laboratories. All employees of the Osaka Gas Group have worked on reducing the environmental impact of business activities by operating the Environmental Management System (EMS) toward the ultimate goal of cutting overall greenhouse gas emissions. In addition, we have reduced the environmental impact of business activities by recycling drilling soil discharged during the laying of gas pipelines. Consequently, the environmental management efficiency for FY2016 came to 59 yen/1,000 m³, compared to the FY2017 target of 58 yen/1,000 m³ or less. Aiming at achieving the target for FY2017, each department and division of the Group will work together to step up its efforts.

OSAKA GAS GROUP CSR REPORT 2016

Energy / Emissions

Important aspects of CSR (materiality)

■ Reasons of materiality in respect of our business

The Osaka Gas Group, an energy business operator, sees it as important to promote more efficient use of energy resources and curtail greenhouse gas emissions over the entire business process, from drilling of natural gas to supply.

■ Management systems and its performance

Amount of CO2 emissions at LNG terminals per unit gas sales: 11.7 t-CO2 per 1 million m³ of gas sold and CO2 emissions at office buildings was 61.8 t-CO2 per 1,000 m² of floor space.

■ Specific actions taken regarding materiality

Efforts to curb CO2 emissions at LNG terminals

The Osaka Gas Group has been striving to curb CO2 emissions at LNG terminals by undertaking various energy-saving activities.

At LNG terminals, for example, the amount of electricity purchased is reduced by utilizing electricity generated by cryogenic energy obtained from LNG gasification process. This power generation process does not emit CO2 at all, because no fuel is required. Not only utilizing cryogenic energy at our own facilities, we also supply it to the nearby plants of petrochemical company adjacent to the LNG terminal to be used for their cooling process, and thus contribute to saving energy consumption and curbing CO2 emission inside and outside of the company.

Furthermore, at Senboku LNG Terminal, we have installed inverters at three out of eight seawater-transport pumps being used for LNG gasification. Following the modification of the pumps, their variable-speed operation became possible in 2012, leading to the reduction of power consumption, along with reduction of 25% energy unit for those seawater-transport pumps at the Terminal. In addition, replacement of illumination devices degraded with age reduced electricity consumption at the Terminal. In fiscal 2014, about 300 of the 800 outdoor illumination devices were replaced with explosion-proof LED lighting devices, resulting in a cut of 41,000 kWh in annual power consumption.

CSR Charter

Environmental conservation on a local and a global scale is an extremely important mission for the Osaka Gas Group, whose operations center on the energy business. In accordance with the "Osaka Gas Group Environmental Activities Policy" we established in 2006, the Osaka Gas Group is committed to reducing the environmental impact of business activities and ensure that environment-related laws and regulations are complied with.

In addition, the Osaka Gas Group's 71 domestic affiliates operate their own EMS, such as ISO 14001, Eco Action 21, and the "Osaka Gas Environmental Management System (EEMS)."

G4-EN18

Amount of CO2 emissions at office buildings per unit floor space

Target for FY2017 58 yen/1,000 m³ or less

FY2016 result 59 yen/1,000 m³

The Osaka Gas Group, an energy business operator, sees it as important to promote more efficient use of energy resources and curtail greenhouse gas emissions over the entire business process, from drilling of natural gas to supply.

G4-EN18

The effective use of LNG cryogenic energy is contributing to the reduction of CO2 emissions at Senboku LNG Terminal.

Senboku LNG Terminal has set up the first LNG cryogenic power plant in 1979. Adding another plant built last year, current operation of the plants generate electricity accounting 30% of electricity used in the terminal. Consistent efforts with companies adjacent to the Terminal make efficient operation of the plants, resulting CO2 emissions reduced by 150,000 t-CO2 per year. In fiscal 2016, the operation rate of the two plants rose following the improvement of their engineering process and advancement of the maintenance method. We will continue to work on efficient operation of the plants contributing to energy saving and the reduction of CO2 emissions in local communities.
Efforts Contributing to Realizing a Low-Carbon Society

Reducing CO2 Emissions at Offices

At offices of each company of the Osaka Gas Group, efforts to achieve targets for energy consumption and CO2 emission are being made under the environmental management systems based on the standards such as ISO 14001, Eco Action 21, and "OGEMS." Under the EMS each and every employee works to reduce his or her own energy use by turning off lights and office equipment not currently needed or in use, and setting air conditioning to reasonable temperatures.

The Osaka Gas Group has been renovating the operations of its office buildings to make them more energy-saving, by implementing advanced energy-conservation measures and measures to reduce CO2 emissions when its buildings are renewed or renovated. Such measures include the installation of equipment to achieve higher energy efficiency, the adoption of energy-control systems, and an overall review of the facility operations. Measures deemed effective for energy saving are horizontally applied to all office buildings of the Osaka Gas Group under the "Green Gas Buildings" project. As of July 2016, "Green Gas Buildings" activities are in operation at nine of the Group’s business offices. When we renovated the Hokubu Gas Building (Takatsuki City), we introduced natural gas equipment, Osaka Gas is promoting the "Try! "OGEMS." Under the EMS each and every employee works to implement natural gas equipment, Osaka Gas is promoting the "Try! Gas cogeneration systems for household use which utilizes exhaust heat associated with chemical oxygen reaction of hydrogen extracted from city gas with oxygen in the air.

The world’s highest power generation efficiency among household-use fuel cells with a stated output capacity of 1 kW or less (based on data compiled by Osaka Gas as of Feb. 24, 2016).

Customers from whom we can buy their redundant electricity see those who use our specific "ENE-FARM" models and have concluded gas contracts with us.

Effective use of biogas

A main component of biogas is methane, as in the case of natural gas. Biogas is a renewable energy source and is seen as an effective tool to combat global warming. Osaka Gas began purchasing biogas in September 2010 on behalf of customers who are to receive the gas from us through our pipelines, in line with our "Biogas Procurement Guidelines"—a set of conditions we apply when we buy biogas for customers.

It is a pilot project Osaka Gas launched jointly with Kobe City and Kobelco Eco-Solutions Co., Ltd., in which biogas produced at the processing plant in Kobe City is provided as our city gas to customers via gas pipelines operated by the Company. The amount of biogas we accept into our pipelines—which brand name is “Kobe Biogas”—is about 800,000 m³ per year (equal to the gas consumed annually by about 2,000 households).

We began operating the "Power Generation Business Using Digestion Gas at Sewage Plants in Osaka City" in April 2017 in partnership with the Osaka City municipality, Tsushima Kikai Co., Ltd., and Tsuchioka Technology Maintenance Service Co., Ltd. Having combined power generation with biogas, we began purchasing system, introduced in line with the Act on Special Measures Concerning the Procurement of Electricity from Renewable Energy Sources by Electricity Utilities. Furthermore, Energy Bank Japan Co., Ltd., an Osaka Gas Group company, has been collaborating with Kobe City in the "Kobe W Eco-Power Generation Project," a power generation system combining solar power generation and a biogas cogeneration system, the first of its kind in Japan.

■ Trial Project for Supplying Biogas via Gas Pipes

Effective use of biogas

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Major Activities in FY2016

Efforts to Promote the Recycling of Resources

Recycling of used gas appliances and compliance with the Home Appliances Recycling Law

In fiscal 2016, 1,823 tons of used gas appliances were collected and about 90% of this was used as recycled metal. Some of the used gas appliances were residential gas conditioners and clothes dryers, which were collected and recycled under the Home Appliances Recycling Law, which was enacted in April 2001. The recycling rate in fiscal 2016 was 90% (minimum legal requirement: 80%) for residential gas conditioners (about 170 tons collected) and 88% (minimum legal requirement: 82%) for clothes dryers (about 13 tons collected).

Conserving Biodiversity

Use of recycled soil at gas pipe construction

The Osaka Gas Group works to reduce the amount of excavated soil and waste asphalt generated as a result of gas pipe installation, which contributes to reduce impact on the ecosystem. Ways to achieve this include the Vermeer method, which requires soil excavation of only two points, and the shallow pipe installation method. In fiscal 2016 these methods allowed us to reduce the amount of excavated soil generated by 510,000 tons compared to what would have been generated using conventional methods.

Turning the roof of the building into a place providing the opportunity of valuable experience and learning

Osaka Gas laid a rice field and a vegetable garden patch, of about 100 and 12 square meters respectively, on its showroom building, where the Company holds educational sessions aiming at enhancing children’s awareness of environmental conservation. At sessions held in fiscal 2016, 97 4th graders of a local elementary school attended and experienced the entire process of rice farming—from rice planting, reaping and cooking to tasting—resulting in the harvesting of about 45 kg of rice.

The participants learned about biodiversity through a nature-watching event held in the paddy fields one month after their rice planting. Specifically, they took a first-hand look at rice growing and the various forms of life emerging from the paddies, such as dragonflies and water fleas. In the autumn, the children experienced rice reaping, and also engaged in the threshing of the harvested rice using old-fashioned agricultural machines, including thousand-tooth threshers and wind-powered threshers.

Positive comments reached us from the parents of the participants, with one stating that the children themselves had apparently grown through the rice-farming experience. Other parents said their child spoke positively of the experience after returning home following the event.

The program was developed and run by staff members of our showroom and employees of the Osaka Gas Group working at adjacent business locations. These people support demonstration sessions held for elementary school children in rice planting and harvesting, and engage in daily observation of the fields to see how they are managed and maintained. We will continue this events in fiscal 2017.

Developing Environmental Technologies

Development of hydrogen generators and the establishment of hydrogen filling stations

Osaka Gas has developed a compact on-site hydrogen generator, “HYSERVE-300”, which makes hydrogen from natural gas with an output capacity of 300 m3/h. The move has been in response to increasing demand in recent years for hydrogen-generating devices for use at filling stations, amid the anticipated spread of fuel cell vehicles, considered to be the ultimate clean car. We have also developed an LPG model, “HYSERVE-300P”, which went on sale in January 2015. The launch of this product enhanced our lineup of the on-site hydrogen generator which can meet various customer needs.

In step with the development of hydrogen-generating devices, Osaka Gas has been conducting empirical research on hydrogen filling stations for their diffusion since fiscal 2002. In April 2015, the company opened Kita-Osaka Hydrogen Station, which is equipped with its “HYSERVE-300” hydrogen generator, in Izaraki City, Osaka Prefecture. In March 2016, it also opened Kamihata Hydrogen Station, a movable filling station in Kyoto City. At each filling station, hydrogen generated from city gas is provided to fuel cell vehicles.

Osaka Gas will continue to support the creation of a low-carbon society through the establishment of hydrogen-supplying infrastructure facilities, and the development and sales of hydrogen generators.

Development and sale of the “Spot Silencer” a noise canceling device

Osaka Gas developed the “Spot Silencer”, a noise control device designed to reduce the level of noise using a sound with different phase. Sasaki Engineering Co., Ltd. began selling the product. The device is designed to offset low-frequency sound, which is a kind of sound difficult to absorb or insulate, with the sound of the opposite waveform. Installed adjacent to the source of noise, the “Spot Silencer” can prevent the noise from spreading spatially.

The device is small in size, yet incorporates all of the necessary functions in a uniform manner which eliminates redesigning responding to the place where it is installed. A high degree of quietness can be achieved if it is used for a gas cogeneration system. Its use in commercial facilities and factories, both notorious for noise arising from compressors and transformers, is expected to grow.

The Osaka Gas Group was Chosen as a Leading Company in the Information Disclosure under the CDP 2015

The Osaka Gas Group was selected as one of the Climate Disclosure Leadership Index (CDLI), the index compiled by the CDP, selecting companies excellent in disclosure information on their climate change strategy and greenhouse gas emission. The Group was included in the CDLI for the fourth time, following the first listing in fiscal 2014. The Osaka Gas Group will continue to take measures to curb climate change and alleviate its impact on the environment while promoting information disclosure.

The CDP, an international, nonprofit organization based in the UK, which is supported by institutional investors across the globe, with its total assets amounting to 95 trillion U.S. dollars. The CDP is encouraging companies to disclose climate change information with the aim of warning companies as needed. 

The Osaka Gas Group has contributed to the reduction of CO2 emissions on the demand side. Expectations for Osaka Gas in the electricity businesses, as well as appropriate environmental management in value chains.

Dr. Koji Shimada
Professor, Department of Economics
at Ritsumeikan University

Expect further efforts to reduce greenhouse gas emissions in the gas and power businesses, as well as appropriate environmental management in value chains.

In the city gas business, Osaka Gas, with the development and sale of the world’s most energy efficient “ENE-FARM”, has contributed to the reduction of CO2 emissions on the demand side. Expectations for Osaka Gas in the electricity business have also grown, as it has built a business model for purchasing redundant electricity, which contributes to the supply of electricity with less burden on the environment.

CO2 emissions from power sources operated by Osaka Gas are expected to increase in view of the expansion of gas-fired power generation facilities. In fiscal 2015, 20 companies in Japan were subject to analysis of the CDP of which the top 25 companies were selected for inclusion in the CDLI with excellent information disclosure.
Environmental Impact of City Gas Value Chain (FY2016)

Osaka Gas makes various efforts to reduce environmental impact by its business, including cutting GHG emissions and waste discharges.

### Major Activities in FY2016

#### Natural Gas
- Reduced gas appliances, etc.
- Waste, etc.

#### Environmental Impact
- 

<table>
<thead>
<tr>
<th>City Gas Value Chain</th>
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</thead>
<tbody>
<tr>
<td><strong>CO2 Emissions</strong></td>
</tr>
<tr>
<td><strong>City Gas Value Chain</strong> (FY2016)</td>
</tr>
</tbody>
</table>

#### LCA: Comparison of GHS Emissions among Fossil Fuels

Natural gas is highly expected as clean energy with the least environmental impact among fossil fuels.

<table>
<thead>
<tr>
<th>Comparison of Greenhouse Gas Emissions (kg CO2eq/MJ)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
</tr>
<tr>
<td>Production</td>
</tr>
<tr>
<td>Transport</td>
</tr>
<tr>
<td>Infrastructure</td>
</tr>
<tr>
<td>Combustible</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

#### Key Figures

- Gas sales: 8,021 million m³
- Quality of city gas supplied by Osaka Gas: 45.5 (Higher), 14.75 (Mean), 50.2 (Lower)

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*CO2 emission factors used for calculation are as follows.
- Electricity: 0.69 kg-CO2/kWh (source: “Interim Summary by the Target Attainment Scenario”)
- Natural gas: 50.9 g-CO2/MJ (2.29 kg-CO2/Nm³)

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*Note: Figures applied since March 2003*
As a good corporate citizen, we are working for the development of local communities through various activities and promoting communication with them, with a focus on people's living, the environment and the betterment of local communities.

The Osaka Gas Group conducts business rooted in communities, and its business cannot succeed without good relations with these communities. Actively disclosing information to promote better understanding of our business is a matter of course, and we are engaged in social contribution activities on the topics of living, the environment and the community. We are making dynamic use of the Osaka Gas Group's assets to undertake efforts based on our "Small Light Campaign" underway for more than 30 years to contribute to the growth of local communities and also boost the pride of our employees.

### Important aspects of CSR (materiality)

**CSRF Charter**

**Management Approach**

**“Small Light Campaign”**

The "Small Light Campaign" was launched in 1981, the International Year of Disabled Persons, as a special initiative of the Osaka Gas Group aimed at getting each employee of the Group interested in efforts in their own backyards and encouraging them to exercise initiative in resolving the problems confronting their local communities. The campaign calls for all of our employees to take the initiative in devising activity programs and participating in such programs.

As a responsible member of the regional community, the Osaka Gas Group is committed to raising awareness and taking part in even more activities, by which it fulfills its role as a good corporate citizen. The "Small Light Campaign" forms part of these activities. To kick-start these activities and enhance employees' awareness regarding corporate social contribution, we have introduced a host of systems aimed at encouraging each employee to support such activities proactively. Specifically, the President of Osaka Gas will give an award to employees who have undertaken activities that have led to social contribution in each region. Also introduced have been "a community gift" (open application) system and a system allowing employees to take days off to engage in volunteering activities.

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**Number of Communication / Social Contributions Events**

<table>
<thead>
<tr>
<th>Communication Events</th>
<th>Social Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of events held (pro-cite dietary and energy/environment seminars, etc.)</td>
<td>Number of contacts (visits to permanent facilities including Gas Science Museum)</td>
</tr>
<tr>
<td>1,100 events or more</td>
<td>600 events or more</td>
</tr>
<tr>
<td>2,028 events</td>
<td>778 events</td>
</tr>
<tr>
<td>60,000 people or more</td>
<td>61,402 people</td>
</tr>
<tr>
<td>61,402 people</td>
<td>778 events</td>
</tr>
</tbody>
</table>

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**Actions taken**

**Continuation of communication activities and social contribution activities**

By taking advantage of the assets it has acquired through its business operations, Osaka Gas is continuing to undertake activities aimed at enhancing its communication with society and developing healthy next-generation human resources, such as energy and environment-related events, food education events, disaster-prevention events and fire education events. Furthermore, the Group actively undertakes social contribution activities, including baseball and soccer teaching sessions held for children by athletic clubs of Osaka Gas and activities aimed at supporting healthy growth of young people.

The Osaka Gas Group conducts businesses rooted in and supported by the local communities. Therefore, we believe various kinds of contribution to the local communities will lead to a favorable cycle that brings the development in both the Group and the society.

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**Support activities using the fund**

The "Small Light Fund" is used to finance various activities, including the holding of cooking classes providing opportunities to children of nursing facilities to experience the joy of cooking and recognize the importance of food, and handicapped people to participate in social activities.

A "Charity Family Cooking" is one of the annual charity events of the "Small Light Campaign" aimed at promoting food education for children aged five or older, which is held as part of our efforts to reconstruct the areas affected by the March 2011 Great East Japan Earthquake. Money collected through this event is managed as the "Small Light Fund," and finances various social contribution activities, including the support of regions affected by natural disasters and the subsidization of NPO activities. In fiscal 2016, the "Small Light Fund" saw 12,518,268 yen in revenue and 13,494,477 yen in expenditure.

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**Specific actions taken regarding materiality**

activities. The "Small Light Campaign" is operated by funds collected through various charity events held inside and outside the Company, including the "Charity Calendar Donation," the "Mitosu Fureai Bazaar," a "Block Recycling Fair," a cultural exhibition sponsored by "Osaka Gas Susurikaan" (an informal meeting of former Osaka Gas employees) and "Osaka Gas Healing Music Concert." Money collected through these events is managed as the "Small Light Fund," and finances various social contribution activities, including the support of regions affected by natural disasters and the subsidization of NPO activities. In fiscal 2016, the "Small Light Fund" saw 12,518,268 yen in revenue and 13,494,477 yen in expenditure.

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**Osaka Gas Group Code of Conduct**

Based on the "Osaka Gas Group Code of Conduct," we care about the issues faced by society and strive to contribute to the local community recognizing what we are expected as a member of the society.

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**OSAKA GAS GROUP CSR REPORT 2016**

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**Specifying the needs of the affected areas**

In fiscal 2016, the Osaka Gas Group held 2,028 educational events for energy, environment and food, fire. "Number of contacts" is the number of visitors to the Gas Science Museum and the Himeji Gas Energy Hall, and the "Number of events (for social contributions) held" is the number of social contribution activities implemented by our sports clubs and other initiatives.

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**Continuation of communication activities and social contribution activities**

In fiscal 2016, the Osaka Gas Group held 2,028 educational events for energy, environment and food, fire. In the year, 47,038 people visited the Gas Science Museum and 14,364 people visited the Himeji Gas Energy Hall. A total of 396 events were held at the Group's social contribution were held, including activities under the "Small Light Campaign" and activities by athletic clubs. In addition, the number of social contribution activities increased by the Research Institute for Culture, Energy and Life (CEL) of Osaka Gas and the Osaka Gas Group Welfare Foundation totaled 382 in the year.

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**Benefits of materiality in our business**

The Osaka Gas Group continues businesses rooted in and supported by the local communities. Therefore, we believe various kinds of contribution to the local communities will lead to a favorable cycle that brings the development in both the Group and the society.
Corporate Volunteering Activities under the “Small Light Campaign”

Mechanism of the “Small Light Campaign”

The Osaka Gas Group has continued to lead the “Small Light Campaign” for more than 30 years. Under the campaign, charity events have been held with the backing of Osaka Gas employees, its former employees (Suzuran), supporting companies and ordinary citizens, all on a voluntary basis. Money collected through the campaign has been incorporated into the “Small Light Fund,” used to support various activities, including the rebuilding of disaster-affected areas, employment support for handicapped people, and the provision of support to nursing and welfare facilities for children.

Provision of support to areas damaged by the major earthquake that hit Kumamoto Prefecture in April 2016

The Osaka Gas Group collected contributions from its employees to support people and regions affected by the Kumamoto earthquake through the “Small Light Campaign.” The donations collected through the campaign, apart from direct contributions made by Osaka Gas, amounted to 4.9 million yen, and the sum was provided to affected parties via the Central Community Chest of Japan and the Kumamoto Prefectural Government.

Social Contribution Activities

“Energizing Kids” — A project to support children

The Osaka Gas Group has been working in collaboration with experts, NPOs, volunteers, and others on an “Energizing Kids” project designed to expose the coming generation of youths to a variety of experiences, including classes on energy and environmental protection and sports and cooking lessons. Efforts to develop healthy next-generation human resources through sports activities include the management of “NOBY T & F CLUB,” a sport club led by Nobuharu Asahara, a former Olympic medalist and the Deputy Manager of the “NOBY T & F CLUB,” a sport club led by Nobuharu Asahara, a former Olympic medalist and the Deputy Manager of the Osaka Gas Men’s Volleyball Club.

Activities for Promoting Communication with Society

Food education activities

The Osaka Gas Group has been pursuing food education activities under the slogan “Nurturing healthy youth through food” to give children a zest for living through food and help them build well-rounded characters. These activities include holding food education and cooking classes for children, preparing and providing food education learning materials to elementary schools, and developing food menus to be provided to elementary school cooking classes. Also to be held are cooking contests participated in by parents and their children chosen from across Japan and a food and environment symposium jointly sponsored by Osaka Seikei College. Through all these events, Osaka Gas has been pushing for food education activities jointly with local communities.

Direct exchange of opinions between representatives of consumer groups and management

In order to use the views of as many people as possible to improve business and operations, Osaka Gas creates opportunities to gather the opinions of people, such as members of consumer groups.

Once a year, there is a direct exchange of opinions between Osaka Gas’s management and the representatives of the Kansai Consumer Group Liaison Commission, an organization of local consumer groups throughout the Kansai region. In fiscal 2016, we received many comments and questions regarding Japan’s future energy strategy related to such topics as energy market liberalization, in addition to the role we are expected as a gas business, such as efforts for safety and security for gas supply.

Osaka Gas will continue dialogue with representatives of consumers by holding such meetings and tours to our facilities.
Complying with Laws and Regulations and Respect for Human Rights

Fundamental concept

The Osaka Gas Group believes that observing compliance and respecting human rights are the most important factors for the Group in winning trust from customers and society, and constitute the basis of business continuity.

Based on our notion that compliance extends beyond just following laws and regulations to include exhibiting decent behavior as a member of society, we endeavor to maintain fair and honest relations with customers, business partners, and all other parties, and to respect human rights. Ensuring compliance in the most important thing we can do to gain the trust of customers and the society, and we believe it to be the cornerstone of staying in business. Recognizing that individual employees are the key to compliance, we are continually conducting training sessions and employee surveys to raise awareness.

CSR Charter

IV

Major Activities in FY2016

CSRs Charter

II

Customer Privacy

Reasons of materiality in respect of our business

As an energy business operator which secures the basis of the society, the Osaka Gas Group considers it indispensable to recognize the importance of customers’ information and the appropriate management.

Management systems and its performance

In accordance with the “Osaka Gas Group Code of Conduct” which incorporated code of conduct and guidelines concerning the handling of private information set by the Ministry of Economy, Trade and Industry and the Japan Gas Association, we strive to ensure safety regarding the privacy of customers abiding by in-house rules, such as “Rules for Personal Information Protection,” “Privacy Policy,” “Manual for Handling Personal Information.”

Commitment

The Vice President in charge of the General Affairs Department is appointed as the Chief Privacy Officer (CPO). Paced under the Vice President are “Personal Information Managers,” who supervise Business Units, the Human Resources Department, Osaka Gas affiliated companies and contractors working for Osaka Gas.

CSR Indicator

Scores on Compliance Awareness / Percentage of Employees Receiving the “Compliance Training”

We have introduced three viewpoints deemed important for compliance promotion as CSR indicators. These three are: (1) the degree of understanding by each Osaka Gas employee of the “Osaka Gas Group Code of Conduct”, (2) the degree of penetration through each Osaka Gas group organization of employees’ awareness of the importance of compliance, and (3) the percentage of Osaka Gas Group employees taking the “Compliance Training.” As for indicators (1) and (2) above, the Osaka Gas Group aims to obtain higher scores than in the previous year in the compliance awareness surveys that has been conducting since fiscal 2004 to measure the degree of its penetration. Concerning indicator (3), we work to ensure that all employees receive the “Compliance Training.”

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Targets</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1: (Individual) Understanding level of Code of Conduct</td>
<td>Higher than the previous year (73.8%)</td>
<td>Up 0.4 points from the previous year</td>
</tr>
<tr>
<td>2: (Organizational) Degree of compliance penetration in the organization</td>
<td>Higher than the previous year (98.6%)</td>
<td>Down 0.4 points from the previous year</td>
</tr>
<tr>
<td>3: Percentage of employees receiving the “Compliance Training”</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Actions taken to enhance the awareness and understanding of employees of compliance

Efforts are under way to have all employees understand the content of the “Osaka Gas Group Code of Conduct” and for their awareness of the importance of compliance to penetrate through each organization of the Group. Specifically, each organization of the Osaka Gas and its affiliated companies hold training sessions for their employees while taking into account the characteristics of business and workplace of each organization and affiliate. Employees who have yet to take a training course, will be advised to do so in order to leave nobody unattended.

The results of the survey will be fed back to each organization of Osaka Gas and its affiliates. An in-house case-study session based on actual scandals that occurred inside and outside the Company will begin in fiscal 2017.

Establishment of a solid group-wide system to protect personal information

The Osaka Gas Group recognizes that the protection of personal information is an extremely important matter. Based on this notion, the Group is appropriately managing the personal information of its customers and doing its best to prevent such information from being leaked to outside parties or being lost.

Mechanism to protect personal information

The Osaka Gas Group is doing all it can to prevent the leakage of personal information of customers and other incidents affecting its information by improving the Group’s information management system, implementing the system as part of its risk management efforts, carrying out a periodical audit of its business operations, and taking company-wide responsive actions in the event of incidents such as the loss of customer data including information sharing and notification of all organizations to coordinate the situation.

The “Information Security Subcommittee,” set up within the Osaka Gas in fiscal 2016, reviewed the authority granted to employees to access a database containing customer data files. It also devised a manual to be used to handle customer data including the “My Number” social security and tax number. In the future, the Group will introduce a system to check how the company personal data has been protected, and promptly implement measures envisaged for its protection in a mediulative manner.

Education of employees

All Osaka Gas Group employees who have the authority to access PO’s learned to be trained by the Group, including those working on the contract basis and those dispatched from manpower agencies, are required to take an online training course on information security once a year. The percentage rate of employees taking the course reached 101% in fiscal 2016. These employees also receive e-learning training, twice a year, aimed at enabling them to respond appropriately to targeted e-mail attacks.

Information Security Structure

The Osaka Gas Group is doing all it can to prevent the leakage of personal information of customers and other incidents affecting its information by improving the Group’s information management system, implementing the system as part of its risk management efforts, carrying out a periodical audit of its business operations, and taking company-wide responsive actions in the event of incidents such as the loss of customer data including information sharing and notification of all organizations to coordinate the situation.

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Information Security Subcommittee

The Osaka Gas Group is doing all it can to prevent the leakage of personal information of customers and other incidents affecting its information by improving the Group’s information management system, implementing the system as part of its risk management efforts, carrying out a periodical audit of its business operations, and taking company-wide responsive actions in the event of incidents such as the loss of customer data including information sharing and notification of all organizations to coordinate the situation.

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Information Security Subcommittee
Compliance Desk

“Compliance Desks”

The Osaka Gas Group has established “Compliance Desks” at the Head Office, core affiliates, and law offices outside the company to provide a channel for persons who need a place to seek advice on, and report matters of compliance with laws and internal rules. Not only management and employees of the Group, but also contractors from outside agencies provide assistance to clients companies offering goods and labor to Group companies on a long-term basis can seek advice or make reports by phone, email, or in writing anonymously.

In fiscal 2016, the “Compliance Desks” received a total of 96 consultations and reports. Upon receipt of a report, an initial examination was made, following which a fair investigation of the facts was conducted and any necessary corrective measures were implemented.

Protecting whistleblowers

Osaka Gas has a rule that details compliance-related reports by employees to the “Compliance Desks” and the subsequent examination of the matter. Based on this rule, “Rules for Counselling and Reporting System regarding Compliance of Laws, Regulations and Work Manual,” we keep the names of the whistleblower and persons implicated secret, and prevent retaliatory action against the whistleblower.

The details of the whistleblower’s complaint, the result of the examination, and the corrective measures are reported to bodies such as the “Compliance Subcommittee” and the “CSR, Human Rights, Sexual and Power Harassment Committee,” which work to prevent the problem from reoccurring.

Efforts to prevent the recurrence of stakeholders and customers for causing great trouble and concern following the incident.

Report based on the Construction Material Recycling Act

Upon a notice from the Japan Gas Association on April 14, 2015, asking the Company to do its utmost to observe the Construction Material Recycling Act, Osaka Gas conducted an in-house investigation and found that the Company had failed to submit reports to authorities concerning several engineering projects that had been reported to the former heads of the project, including gas pipe-laying projects.

Osaka Gas took the irregularities seriously and is doing all it can to prevent its recurrence. Specifically, the Company has been educating its employees about certain types of engineering projects that require reporting to authorities based on the Construction Material Recycling Act, while strengthening its system to check the observance of the act. It has been already confirmed, however, that the mandatory separation of waste to be disposed of was conducted appropriately according to the types of waste, and recycling procedures were undertaken appropriately for all of these engineering projects that Osaka Gas failed to report to the authorities.

Deliver a direct mail containing erroneous personal information

On March 9, 2016, Osaka Gas confirmed the delivery of direct mails to 268 customers on which other names were erroneously printed.

The direct mail in question contained sales promotional information regarding gas appliances, and was meant for delivery to customers who had earlier agreed to receive such mail. The above incident occurred because the names of customers that did not correspond to their addresses were erroneously entered into the address list, resulting in the wrong combination of names and addresses.

Osaka Gas identified all of the customers who had received such direct mail with their names incorrectly printed, and visited their houses individually to apologize to them for the incident. The names were the only personal information to be erroneous included in the mail in question. Osaka Gas recognizes the protection of personal information as an important matter to be taken care of in its operations and took the latest incident very seriously. The company vows to do all it can so as not to allow the incident to be repeated.

Compliance Promotion Efforts

Promotion of global compliance in step with overseas business operations

In view of expanding business operations abroad, Osaka Gas has compiled an English version of the booklet mentioned for dissemination of the “Osaka Gas Group Code of Conduct” at overseas offices. Information included in the booklet, to be handled out to employees for dissemination, are the “Osaka Gas Group CSR Charter,” the “Osaka Gas Group Code of Conduct” and “Compliance Desks” used for the internal reporting system.

In fiscal 2016, the Company identified compliance risks associated with overseas operations, and its relevant divisions and departments discussed compiling countermeasures. The Company then sorted out the main points to be addressed in risk management for overseas operations.

Based on these discussions, “G-RIMS,” a self-help risk-assessment system initially used for domestic operations, has also been applied to overseas operations. Under “G-RIMS,” we have held follow-up meetings in collaboration with the relevant divisions and departments while sharing information on key issues and discussing response measures.

Educational Action on Human Rights

Education and training for human rights awareness-raising

The Osaka Gas Group holds a human rights awareness slogan contest and other activities every fiscal year in an effort to build a corporate culture in which human rights are respected.

In fiscal 2016, under our slogan “Foster a workplace climate conducive to respect for human rights by listening to others to understand how they feel,” we strove to achieve various initiatives including the following: Enhanced and strengthened Osaka Gas Group’s human rights awareness-raising structure. Enhanced human rights education and awareness raising activities. Disseminated information on human rights to be aware of across the Osaka Gas Group. Actively participated in activities outside the Group and gather various relevant information.

Information Security

Actions taken by the “Information Security Subcommittee”

Under the leadership of the “Information Security Subcommittee”, the Osaka Gas Group has established a system to enhance its overall information security by deploying managers in charge of promoting information security at core companies of the Osaka Gas Group, management departments at Headquarters of Osaka Gas and by deploying staff in charge of promoting information security at other organizations and affiliated companies.

In fiscal 2016, Osaka Gas conducted an on-the-spot inspection of its 60 affiliated companies regarding their information security. Based on the inspections, each company devised and implemented improvement plans. In addition, the Group offered information-security education to employees of Group companies to raise their awareness and the level of skills regarding information security.

Due diligence regarding human rights must be deepened and expanded at Osaka Gas following the evaluation of its human rights situation

Protection of personal information is an important issue to be avoided from the viewpoint of preventing violation of the dignity of stakeholders and the right of protection of each individual’s privacy. It is important that such a case of violation of personal information occurs at Osaka Gas. However, the Company repeatedly took action to remedy the damage sustained by the affected customers. We expect the Osaka Gas Group’s enhanced management of Information Security, including the establishment of the “Information Security Subcommittee,” to help prevent further violation of the privacy of customers.

In the energy business, Osaka Gas expanded its engagement with client companies following the results of the evaluation contest and other activities every fiscal year in an effort to build a corporate culture in which human rights are respected. We expect the Osaka Gas Group’s enhanced management of information security, including the establishment of the “Information Security Subcommittee,” to help prevent further violation of the privacy of customers.

As one step, the Group embarked on the task of evaluating the situation of human rights in its overseas operations. We expect the Osaka Gas Group’s enhanced management of information security, including the establishment of the “Information Security Subcommittee,” to help prevent further violation of the privacy of customers.

Major Activities in FY2016 | CSR Charter IV |
CSR Charter

Management Policy for Human Growth

V

Fundamental concept

The Osaka Gas Group strives to become a company that can realize the growth of its employees through work. The Group has been working on building a personnel management system whereby employees’ individuality and initiative are respected, and establishing a foundation to enable employees with expertise in various fields to play key roles in corporate activities.

The Osaka Gas Group would like to be a company at which employees can find not just employment but also personal growth through their work. To that end, we have introduced career-course-specific human resources systems designed to respect and put to full use the individuality and autonomy of employees, and we have been conducting a wide range of training. We have also formulated the “Osaka Gas Group Diversity Policy” to ensure that a diversity of people can play active roles at the Osaka Gas Group. Convinced that ensuring employees’ safety and maintaining/improving their physical and mental well-being are keys to all our operations, we are also undertaking efforts to prevent work accidents and to promote fitness.

CSR Indicator

Employee Attitude Survey: job satisfaction and attachment to the company

Osaka Gas periodically conducts “Employee Attitude Survey” to understand how employees satisfy with their job, workplace environment, superiors, company systems, and so on. Employees are asked to rate their satisfaction level on a five-point scale for 23 categories, including job satisfaction, attachment to the company, etc., and to leave an open comment.

Targets and results

The goal of the “Employee Attitude Survey” conducted every two or three years, is to confirm changes over time in employee attitudes and the progress made in adopting/implementing the human resources systems introduced in FY2012.

The results of the latest survey, conducted in FY2015, surpassed the results of the previous survey (FY2012) in the CSR indices of job satisfaction and attachment to company and degree of satisfaction with human resources systems.

Actions taken

An “Employee Attitude Survey” conducted

In the latest “Employee Attitude Survey,” a grade on a five-point scale was assigned to the attitudes of Osaka Gas employees in 23 categories, including “job satisfaction” and their “degree of attachment to the Company.” The employees were also asked to comment freely in the survey, conducted in fiscal 2015 covering all employees of Osaka Gas.

Osaka Gas has been striving to promote diversity in a bid to enhance its corporate value further.

Efforts to achieve the goal of raising the percentage of women out of the total fast-track workforce to more than 30%, and the goal of raising the percentage of female managers out of the total number of employees in management positions to 5%

In view of the declining working population in Japan, Osaka Gas is endeavoring to create a workplace environment in which women can exercise their abilities and play active roles.

Working in line with their aptitude and wishes, women have been displaying their abilities in the fields of gas production, gas supply and marketing. Following such efforts, Osaka Gas has received high evaluation from outside the Company, as shown by its selection as the leading company in empowering women, awarded by the Mayor of Osaka City in February 2016, and its selection as a “Nadeshiko Brand,” an award that has been given to the Company for three years in a row since fiscal 2014.

In March 2016, we developed “Action Plan” for further empowerment of women which is the higher level of target following the numerical targets set two years earlier along with the “Osaka Gas Group Diversity Policy.” The Company will continue to work on achieving the goal of raising the percentage of women out of the total fast-track workforce to more than 30%, and the goal of raising the percentage of female managers out of the total number of employees in management positions to 5% by 2020, with implementing various measures including institutional reforms.

In past the outcome of efforts to encourage a work-life balance that harmonizes employees’ professional and personal lives, the percentage of women in management positions was 2.7% in April 2016, improved compared to the previous year.

- The Act on Equal Employment opportunities for Women is implemented on our website.
- Gender-based level of higher.

Number of Employees Taking Childcare and Nursing Leave at Osaka Gas (excluding loaned employees)

<table>
<thead>
<tr>
<th>Year</th>
<th>Childcare leave</th>
<th>Nursing leave</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
<td>28</td>
<td>19</td>
</tr>
<tr>
<td>FY2013</td>
<td>21</td>
<td>28</td>
</tr>
<tr>
<td>FY2014</td>
<td>21</td>
<td>28</td>
</tr>
<tr>
<td>FY2015</td>
<td>21</td>
<td>28</td>
</tr>
</tbody>
</table>

Improvement of employment conditions for disabled and elderly people

Osaka Gas does its best to hire disabled persons and creates a work environment conducive to the talents of each individual. As a result of these efforts, disabled persons accounted for 2.35% of our workforce as of June 2016, well above the legal minimum of 0.2%. Of the 376 eligible companies subjected to the relevant law, 19 firms achieved the legal minimum.

Osaka Gas has a system known as the “Reemployment Scheme” to rehire employees who are 60 and older after retirement, under which applicants are placed in jobs that match their skills and desires. In fiscal 2009, we introduced a full-time reemployment system to shorten working hours for nursing care leave, and raising awareness for management.

Number of Employees Taking Childcare and Nursing Leave

Percentage Rate of Disabled Employees (Osaka Gas)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
<td>2.20</td>
</tr>
<tr>
<td>FY2013</td>
<td>2.23</td>
</tr>
<tr>
<td>FY2014</td>
<td>2.25</td>
</tr>
<tr>
<td>FY2015</td>
<td>2.41</td>
</tr>
</tbody>
</table>

Osaka Gas has been striving to promote diversity in a bid to enhance its corporate value further.
Major Activities in FY2016

Employment

Creating a good work environment

As of the end of fiscal 2016, the average length of service at Osaka Gas was approximately 19.6 years. This is much higher than the 17.4-year average for companies of at least 1,000 employees (according to the survey, conducted by the Central Labour Relations Commission of the Ministry of Health, Labour and Welfare). Also, we have a low employee turnover rate (0.53%) for employees under 50 years of age. We believe this is a result of efforts to increase value for employees, such as by providing opportunities for growth and creating a good work environment.

Balancing Work and Family

Supporting childcare through systems and the workplace environment

Osaka Gas has a number of systems to support employees both while they are working and taking care of their families. These systems are aimed at enabling employees to display their abilities to the full extent by creating a workplace environment where they can strike a balance between work and child-rearing. For example, we have a system allowing employees to take “Children’s Leave” up to the end of the month in which children reach their third birthday, as well as a system for “Shorter Work Hours” until children finish their third year at elementary school. We also lend employees PCs so they can check the company internet and email and thus keep in contact while they are on childcare leave. And we offer employees telephone counseling on matters of childcare. These are just some of the ways that Osaka Gas labor and management are cooperating to create a workplace conducive to balancing work and family duties. In addition, we have established a consultation desk in the Health Promotion Center so that employees and their families can seek advice on health during pregnancy and child-raising.

In recognition of these efforts, in March 2015 as well as April 2007 and May 2011 Japan’s Minister of Health, Labour and Welfare congratulated Osaka Gas as a company that actively supports childcare for its employees in accordance with the Law for Measures to Support the Development of the Next Generation, entitling the Company to use a special logo from the Ministry. Moreover, Osaka Gas has been continuing to support employees in achieving a balance between work and child-rearing in line with its 4th Action Plan (from January 2015 to March 2018).

Human resource development and rewards

Training system

To further augment measures to support Osaka Gas Group companies in developing human resources, we have offered training programs proven to be in great need. In conjunction with this, we reexamined training programs that had already been offered, thereby recomposing the overall training program for the Osaka Gas Group.

Improving Occupational Health and Safety

Promoting safety and health management activities based on OSHMS

Osaka Gas has been systematically and meticulously undertaking activities aimed at preventing workplace accidents with establishing the “Osaka Gas Health and Safety Action Plan” based on the Occupational Safety and Health Management System (OSHMS)[1], which was established by the Minister of Health, Labour and Welfare.

Based on the Plan, each organization of Osaka Gas is working on reducing the number of workplace accidents leading to absence from work to zero. The Plan, consisting of three priority themes—prevention of transportation-related accidents, prevention of general work accidents, and prevention of accidents through collaboration with business partners—is designed to enhance the level of workplace safety by implementing improvement measures under the PCDA cycle.

Each Osaka Gas Group company is carrying out safety- and health-enhancement measures envisaged under its own safety and health-management plan, modified based on its evaluation of the previous year’s activities in line with the Basic Plan on Health and Safety of Osaka Gas Group (covering fiscal 2015 to fiscal 2017).

Stakeholder comment

Mr. Taro Tamura

Representative Director

Institute for Human Diversity, Japan

Efforts to realize sustainable management of overall value chain operations through the promotion of diversity

Osaka Gas has been highly commended by outside parties for its efforts to empower its female employees. This is a result of the Company’s efforts such as adoption of the “Osaka Gas Group Diversity Policy” in 2014, followed by development of the action plan based on the Act to Advance Women’s Success in their Working Life. In addition, the company has been selected as a “Nadeshiko Brand” for three consecutive years. Statistics reflecting employment conditions and health and safety-related indices at Osaka Gas are higher than those scored by other companies of a similar business scale, as well as the national averages in the relevant fields. Also, a large number of employees have attended to house seminars on diversity. Those facts show the enthusiasm of Osaka Gas pursuing its management policy of human growth on a company-wide basis. I expected Osaka Gas to work harder in enhancing its corporate value by sharing its accumulated knowledge and expertise with Group companies. The promotion of diversity is important for companies in terms of securing their labor force. I hope that all parties in the Osaka Gas Group, including those that constitute its value chain[2], such as engineering firms and business partners, will cooperate with us to foster a corporate culture whereby the diversity of people is respected, and realize sustainable corporate management.

Data on Employees as of the End of March

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
<th>Male</th>
<th>Female</th>
<th>Male</th>
<th>Female</th>
<th>Male</th>
<th>Female</th>
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<td>22.4</td>
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<td>19.7</td>
<td>22.4</td>
<td>22.4</td>
<td>18.3</td>
<td>18.3</td>
</tr>
</tbody>
</table>

Turnover Rate (Less than 50 years old)

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>0.21</td>
<td>0.15</td>
</tr>
<tr>
<td>2013</td>
<td>0.17</td>
<td>0.10</td>
</tr>
<tr>
<td>2014</td>
<td>0.10</td>
<td>0.10</td>
</tr>
<tr>
<td>2015</td>
<td>0.10</td>
<td>0.10</td>
</tr>
<tr>
<td>2016</td>
<td>0.20</td>
<td>0.13</td>
</tr>
</tbody>
</table>

Industrial Accident Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Frequency of accidents causing absence from work</th>
<th>Frequency of accidents causing absence from work</th>
<th>Overall absence rate</th>
<th>Accident severity rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
<td>0.09</td>
<td>0.09</td>
<td>0.01</td>
<td>0.00</td>
</tr>
<tr>
<td>FY2013</td>
<td>0.09</td>
<td>0.09</td>
<td>0.01</td>
<td>0.00</td>
</tr>
<tr>
<td>FY2014</td>
<td>0.09</td>
<td>0.09</td>
<td>0.01</td>
<td>0.00</td>
</tr>
<tr>
<td>FY2015</td>
<td>0.09</td>
<td>0.09</td>
<td>0.01</td>
<td>0.00</td>
</tr>
<tr>
<td>FY2016</td>
<td>0.09</td>
<td>0.09</td>
<td>0.01</td>
<td>0.00</td>
</tr>
</tbody>
</table>


[2] Source: CSR Charter
The Osaka Gas Group CSR Report underwent a third party review by the Institute for Environmental Management Accounting (IEMA), including recommendations as well as simple audits. IEMA interviewed Masataka Fujiiwara, Executive Vice President and CSR Executive, regarding the planning and implementation of CSR activities at the Osaka Gas Group.

The interview was lively, with questions and answers focused on the Group’s response to full liberalization of the retail electricity market, KPI management and corporate governance code. Based on the interview and documents submitted, IEMA prepared and presented a report which summarized IEMA’s overall evaluation and advice regarding the Osaka Gas Group’s CSR activities.

**Evaluation and Opinion of CSR Management**

**Purpose and outline of work that has been undertaken**

From our position as a third-party that maintains no business relationships with Osaka Gas, we are expressing our opinion to help enhance the reliability of the Osaka Gas Group CSR Report 2016 by evaluating all the CSR initiatives that are not related to environmental management. We interviewed Masataka Fujiiwara, Executive Vice President and CSR Executive, to clarify the planning and implementation of CSR management (including environmental management) of the Osaka Gas Group and the evaluation and utilization of the performance data that indicates the results of these activities and serves as the basis for the disclosed information.

**Evaluation and Opinion**

The Osaka Gas Group has been praised as being “always advanced” in its CSR activities. Since 2014, the Group has released key performance indicators (KPIs) corresponding to each of the 16 important aspects of business operations, technically called “materiality,” an idea introduced by GRI-G4, a set of guidelines for CSR information disclosure. The Group disclosed the result of its KPI performance. This evaluation report distinguished between KPIs of the CSR Charter, which were introduced in 2009 and serve as the basis for the disclosed information. In light of the new business environment surrounding energy companies, we hope that Osaka Gas will formulate its management strategy in response to the scheduled liberalization of the power and gas markets and further examine issues related to environmental risks.

To link corporate governance and CSR activities is an issue that has recently been drawing attention, a trend that apparently gathered impetus following the introduction in Japan and the UK of a corporate governance code. Of importance is how to achieve sustainable corporate development that can continue over the medium- or long-term. This is what Osaka Gas aims to achieve. We hope that Osaka Gas will conduct its operations based on this idea and develop it into a corporate management model.

**July 11, 2016**

Katsushiko Kokubu, President, Kobe University; Director of IEMA

Eriko Nashioka, Certified Public Accountant and Certified Tax Accountant; CEO of IEMA

**Veriﬁcation Methodology**

- It is our opinion that Osaka Gas has established appropriate systems for the collection, aggregation and analysis of quantitative data within the scope of our veriﬁcation.
- We believe that it is more important for the Company to undertake business operations while sufﬁciently taking into account their possible impact on the environment and society at a time when our business areas and business ﬁelds have been expanding. Whenever necessary, we will review two types of KPIs under the current CSR indicators and materiality indicators, and appropriately evaluate our CSR activities. Furthermore, we will endeavor to make our activities based on the “Osaka Gas Group CSR Charter” more efﬁcient, while upholding the CSR Promotion System.

We will continue to promote dialogue with stakeholders, work harder for the betterment of the environment, society and governance, and strive to raise the overall CSR level of our value chain networks, while stepping up appropriate information disclosure.

**August, 2016**

Masataka Fujiiwara
Executive Vice President and CSR Executive
Osaka Gas Co., Ltd.