

Corporate Governance

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“Value Creation Management” is the group management principle of the Osaka Gas Group. Based on this principle, the Group is maximizing corporate value and further enhancing value for all stakeholders through fair and transparent business activities. This will lead to the creation of a healthier business and stronger corporate governance.

Following the internal regulations stipulated by the Board of Directors, the Executive Board and Board of Directors are comprised of the executive directors and directors that implement Group business. They make decisions after thoroughly deliberating upon relevant issues. The Board of Directors consists of 13 directors (including two outside directors). Its mission is to make swift and appropriate decisions about important matters that affect the whole Group and to enhance supervisory capabilities. The Company has adopted an executive officer system under which executive officers perform duties determined by the Board of Directors, while some representative directors and directors concurrently serve as executive officers. This serves to further strengthen the supervisory functions of the Board of Directors and enhance their performance in the execution of their duties. The Articles of Incorporation stipulate that there shall be no more than 27 directors, who are appointed by a quorum of shareholders possessing at least one-third of shareholder voting rights and by a majority of voting rights held by shareholders present as stipulated in the Articles.

Moreover, the Company has chosen to adopt the corporate auditor system. Four corporate auditors, of whom two

are outside auditors, each monitor the execution of work duties by the Board of Directors of the Osaka Gas Group. In addition, the Corporate Auditor’s Office composed of four staff members not under the direct control of the directors has been established to support the corporate auditors and thus to improve the audit system.

As the two outside directors and two outside auditors are not major customers of the Group or major shareholders of the Company (including those who work for such major customers or shareholders), there is no danger of a conflict of interest with normal shareholders arising, and they have been deemed to be sufficiently independent. Therefore, they have been registered as independent directors with the financial product exchanges on which the Company is listed.

Internal Control Systems

The Company has established the Auditing Department (with a staff of 19 people), which functions as an internal auditing division and, based on a yearly auditing plan, monitors the appropriateness and efficiency of business activities, and provides each section of the organization with advice and recommendations. The Company is strengthening and enhancing its auditing and internal control functions with appointment of internal auditors who fulfill the responsibilities defined in the Basic Rules for Affiliates and the Rules for Voluntary Audits, both of which are common sets of rules throughout the Group, for the business operations units and the core Group companies.

Corporate governance organization (As of June 29, 2011)

