

Corporate Governance



Representative Director

Tetsuo Setoguchi

Representative Director and Chairman

Hiroshi Ozaki

Representative Director

Hidetaka Matsuzaka

President

Takehiro Honjo

Representative Director

Masataka Fujiwara

Basic Stance Toward Corporate Governance

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

Corporate Governance Promotion Organization and Activities

1 General Meeting of Shareholders

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

2 Board of Directors, Directors of the Company

The Board of Directors consists of 13 directors (including three outside directors). Its mission is to make swift and appropriate decisions about important matters that affect

the whole Group including subsidiaries and to enhance supervisory capabilities. It met a total of 13 times in FY2016 and had an attendance rate of 99.4%. There was adequate time for deliberations, and active discussions were conducted.

3 Executive Officers

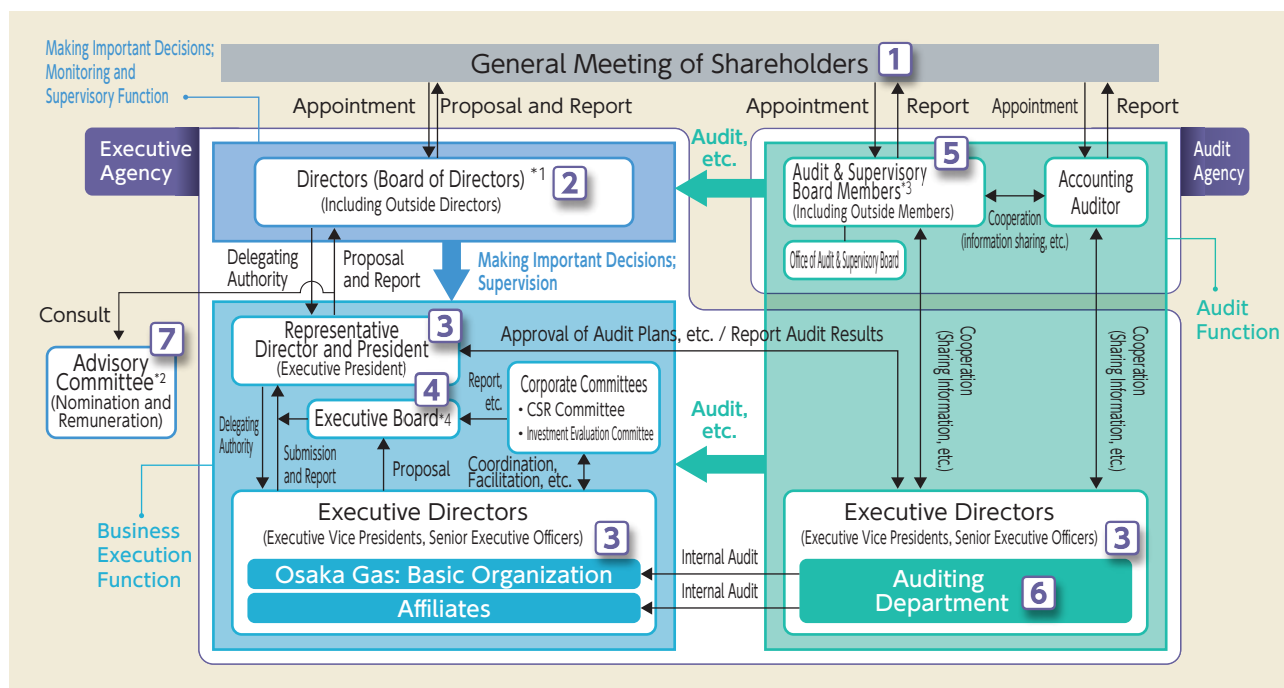
Osaka Gas has adopted an executive officer system, which enables the Directors of the Company to focus on decision-making and monitoring and supervisory functions, and worked toward strengthening the business efficiency and the supervisory functions by dynamically mobilizing the Board of Directors. Executive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

4 Executive Board

Osaka Gas examines basic management policies and important management issues through the Executive Board and fully deliberates the foregoing before decision-making. In accordance with internal regulations, the Executive Board consists of the Executive President, Executive Vice Presidents, Senior Executive Officers, Heads of Corporate Headquarters, and Heads of Business Division. In principle, CSR Promotion Meetings are held three times a year by the Executive Board, which deliberate on plans for CSR activities and make reports on CSR activities.

Corporate Governance Organization Chart

(As of June 29, 2017)



*1 Board of Directors: 13 directors (10 internal directors and 3 outside directors)

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

*3 Audit & Supervisory Board: 5 Audit & Supervisory Board Members (2 full-time Audit & Supervisory Board Members, 3 outside Audit & Supervisory Board Members)

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

5 Audit & Supervisory Board, Audit & Supervisory Board Members

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

6 Auditing Department

Osaka Gas has established the Auditing Department (with a staff of 20) that functions as an internal auditing division. Based on an annual auditing plan, it evaluates from an independent and objective standpoint the conformance to standards and efficiency of business activities and the appropriateness of institutions and standards. In addition to giving recommendations and conducting follow-ups that lead to business improvements in the organizations subject to audit, the department summarizes the issues and reports its results to the Executive Board.

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

7 Advisory Committee

Matters concerning the appointment of directors and Audit & Supervisory Board Members and the remuneration of directors shall be decided based on deliberations by this advisory committee whose outside officers occupy a majority, from the viewpoint of ensuring objectivity and transparency in the decision process.

Risk Management

In the Osaka Gas Group, organizational heads of the Company and presidents of the affiliated companies promote the management of the risk of losses and periodically conduct risk management assessments. Each basic organization or affiliated company uses the Gas Group Risk Management System (G-RIMS) to ascertain risks, inspect the status of compliance with those risks, and conduct follow-up activities.

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

Directors



Representative Director and Chairman
Hiroshi Ozaki



President
Takehiro Honjo



Representative Director
Hidetaka Matsuzaka



Representative Director
Tetsuo Setoguchi



Representative Director
Masataka Fujiwara



Director
Kazuhisa Yano



Director
Toshimasa Fujiwara



Director
Tadashi Miyagawa



Director
Hideaki Nishikawa



Director
Takeshi Matsui



Outside Director
Shunzo Morishita



Outside Director
Hideo Miyahara



Outside Director
Takayuki Sasaki

Biography

1970.4 Joined Nippon Telegraph and Telephone Public Corporation
2004.3 Representative Director and President of Nippon Telegraph and Telephone West Corporation
2008.6 Director and Executive Advisor of Nippon Telegraph and Telephone West Corporation
2009.6 Director of the Company (current)
2010.6 Executive Advisor of Nippon Telegraph and Telephone West Corporation
2012.6 Chairman of the Board of Directors of Hanshin Expressway Company Limited (current)
2014.7 Senior Advisor at Nippon Telegraph and Telephone West Corporation
2014.10 Commissioner of the Osaka Prefectural Public Safety Commission (current)
2015.3 NHK Board of Governors (current)
Board of Directors Meetings Attendance Record (April 1, 2016-March 31, 2017)
Attended 13 of 13 meetings of the Board of Directors.

Biography

1989.10 Professor, Faculty of Engineering, Osaka University
1998.4 Dean of the Graduate School of Engineering, Dean of the Faculty of Engineering, Osaka University
2002.4 Dean of the Graduate School of Information Science and Technology, Osaka University
2003.8 President of Osaka University
2007.9 President of the National Institute of Information and Communications Technology
2012.6 Representative Director of Knowledge Capital Association (current)
2013.4 Specially Appointed Professor, Graduate School of Information Science and Technology, Osaka University
2013.6 Director of West Japan Railway Company (current) Director of the Company (current)
2016.4 Visiting Professor, Graduate School of Information Science and Technology, Osaka University (current)
2016.6 NHK Board of Governors (current)
Board of Directors Meetings Attendance Record (April 1, 2016-March 31, 2017)
Attended 12 of 13 meetings of the Board of Directors.

Biography

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

Board of Directors Meetings Attendance Record (April 1, 2016-March 31, 2017)
After being appointed on June 29, 2016, attended 11 of 11 meetings of the Board of Directors.

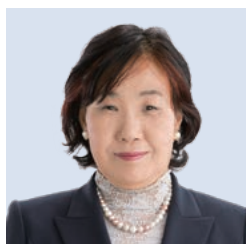
Audit & Supervisory Board Members



Audit & Supervisory
Board Members
**Takahiko
Kawagishi**



Audit & Supervisory
Board Members
**Akihiko
Irie**



Outside
Audit & Supervisory
Board Members
**Yoko
Kimura**



Outside
Audit & Supervisory
Board Members
**Eiji
Hatta**



Outside
Audit & Supervisory
Board Members
**Shigemi
Sasaki**

Biography

1987.12 Assistant Professor, Faculty of Home Economics, Nara Women's University
1993.10 Assistant Professor, Faculty of Human Life and Environment, Nara Women's University
2000.4 Professor, Faculty of Human Life and Environment, Nara Women's University
2004.12 Member of Local Public Finance Council
2010.4 Chairperson of the Board of Directors, Council of Local Authorities for International Relations
2014.4 Advisor of Japan Center for Cities
2014.6 Audit & Supervisory Board Members
2015.4 Director, Nara Prefectural University (current)

Board of Directors Meetings Attendance Record (April 1, 2016–March 31, 2017)

Attended 13 of 13 meetings of the Board of Directors.
Attended 14 of 14 meetings of the Audit & Supervisory Board.

Biography

1985.4 Professor, Faculty of Economics, Doshisha University (current)
1996.4 Dean, Faculty of Economics, Doshisha University
1998.4 President, Doshisha University
2008.2 Chairman, Japan Student Baseball Association (current)
2009.4 Vice Chairman, Japan University Auditors Association (current)
2011.10 Chancellor, The Doshisha
2015.6 Vice President, Baseball Federation of Japan (current)
2015.6 Audit & Supervisory Board Members
2015.9 Director, Japan High School Baseball Federation (current)
2017.4 President, The Doshisha (current)
2017.4 Chancellor, The Doshisha (current)

Board of Directors Meetings Attendance Record (April 1, 2016–March 31, 2017)

Attended 13 of 13 meetings of the Board of Directors.
Attended 14 of 14 meetings of the Audit & Supervisory Board.

Biography

1974.4 Appointed as judge
2011.5 Chief Judge, Takamatsu High Court
2012.3 Chief Judge, Osaka High Court
2013.3 Retired from judgeship
2013.4 Professor, Graduate School of Law, Kyoto University (current)
2016.6 Audit & Supervisory Board Members

Board of Directors Meetings Attendance Record (April 1, 2016–March 31, 2017)

After being appointed on June 29, 2016, attended 11 of 11 meetings of the Board of Directors. Attended 11 of 11 meetings of the Audit & Supervisory Board.

Director and Audit & Supervisory Board Members Remuneration

To ensure objectivity and transparency in the decision-making process, the amount of remuneration for each director is determined by a resolution of the Board of Directors after deliberations by the Advisory Committee, the majority of whose members are outside directors. The amount falls within the scope (up to a maximum of ¥63 million per month) approved at the General Meeting of Shareholders. The decision reflects the position and responsibilities of each director, and takes into consideration the levels of pay at other companies. To improve motivation for achieving sustainable growth and increasing corporate value over the medium to long term, remuneration for directors is paid as a monthly amount comprised of a fixed portion and a portion based directly on the company's performance (consolidated) over the last three years. The Advisory Committee consists of outside and internal members. The outside members are all of the outside officers (three outside directors and three outside Audit & Supervisory Board Members), while the internal members are the president and individuals appointed by the president as deemed necessary (up to two other representative directors can be appointed). The head of the committee is elected by the members of the committee.

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

Retirement bonuses for directors and Audit & Supervisory Board Members have been discontinued.

Note (1) : Outside directors receive fixed remuneration, as they are independent of business execution.
Note (2) : Directors (excluding outside directors) contribute a fixed amount from their monthly remuneration and purchase their own shares through the directors' shareholding association.

Criteria for Determining the Independence of Outside Directors and Outside Audit & Supervisory Board Members

Osaka Gas appoints three outside directors and three outside Audit & Supervisory Board Members. The selection of candidates for the position of director or Audit & Supervisory Board Members is made from a large pool of individuals in consideration of their knowledge, experience, expertise, and character. In addition, candidates for outside director are also screened for their independence and ability to make objective decisions, wide range of insight, wealth of experience, and high level of expertise in their field of specialization. Outside directors participate in decision-making as members of the Board of Directors' meetings, and monitor and supervise the execution of duties of the managing directors from an independent position based on their knowledge and experience. Outside Audit & Supervisory Board Members use their knowledge and experience to conduct strict audits on the execution of duties of the managing directors, also from an independent standpoint. Both outside directors and outside Audit & Supervisory Board Members will hear about a variety of issues at Board of Directors' meetings, including the operation of internal control systems based on the Companies Act, the evaluation of internal controls as they relate to financial reports based on the Financial Instruments and Exchange Act, internal audits, and CSR activities. They will also confirm the content of accounting audit reports.

In addition, outside directors Shunzo Morishita, Hideo Miyahara, Takayuki Sasaki, and outside Audit & Supervisory Board Members Yoko Kimura, Eiji Hatta, and Shigemi Sasaki have no special interest relationships with the company affecting decision-making, and they meet the company's criteria for the independence of outside officers, so they are judged to have sufficient independence. Based on this, they are reported as independent officers to the financial instruments exchanges on which the company is listed.

Classification	Total amount of remuneration (million yen)	Number of payees
Directors (excluding outside directors)	512	14
Audit & Supervisory Board Members (excluding outside, members)	66	3
Outside directors and outside Audit & Supervisory Board Members	62	7

Note: The number of persons and amounts include four directors and two Audit & Supervisory Board Members (including one outside Audit & Supervisory Board Member) who retired as of the close of the Company's 198th Annual Shareholders' Meeting held on June 29, 2016. Moreover, the total amount of remuneration is made up of a total amount and basic remuneration.