

# Daigas Group's



## CSR Efforts to Realize Long-Term Management Vision 2030

The Daigas Group has formulated the Long-Term Management Vision 2030 and the Medium-Term Management Plan 2020, in which we adopted “three guiding principles” under its corporate philosophy. One of these principles is setting global ESG (environment, social and governance) standards in its business operations, with the aim of becoming a corporate group that continues to be trusted by investors, business partners, citizens and employees.

We have stepped up our ESG efforts in line with the Daigas Group CSR Charter. To get the campaign moving further, the Group has identified important aspects in its CSR activities, which we call "materiality." Based on the materiality, we have undertaken specific CSR activities. We will continue to see ESG as an important element of our business operations and redouble our efforts to realize the sustainable development of society and the Daigas Group.



Work style reform and development of human resources to improve productivity



Management that wins confidence of stakeholders	Main issues to address
<p style="text-align: center;"><b>Environmental management</b></p> <ul style="list-style-type: none"> <li>• Support customers in introducing high-efficiency energy equipment, and provide them with energy services</li> <li>• Promote fuel conversion to natural gas, a clean energy source, and introduction of energy-saving technologies</li> <li>• Develop and introduce leading-edge thermal power plants and renewable energy</li> <li>• Promote environmental management focusing on resources recycling, biodiversity, chemical substances safety, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Understanding and management of environmental impact throughout the Daigas Group value chain ..... <b>Page 44</b></li> <li>• To reduce CO<sub>2</sub> emissions ..... <b>Page 44-45</b></li> <li>• Risks and opportunities of climate change ..... <b>Page 45</b></li> </ul>
<p style="text-align: center;"><b>Stakeholder engagement</b></p> <ul style="list-style-type: none"> <li>• Pursue activities in accordance with international norms, such as the Global Compact</li> <li>• Promote activities relevant to the entire value chain including initiatives to protect human rights</li> <li>• Engage in co-creation with local communities (social contribution activities, community communication activities, community building, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• The Promise to Customers ..... <b>Page 46</b></li> <li>• The Promise to Employees ..... <b>Page 47</b></li> <li>• The Promise to Suppliers and Shareholders ..... <b>Page 48</b></li> <li>• The Promise to Society ..... <b>Page 49</b></li> </ul>
<p style="text-align: center;"><b>Management / compliance</b></p> <ul style="list-style-type: none"> <li>• Promote dialogue with stakeholders</li> <li>• Pursue fair business practices</li> <li>• Enhance Diversity of employees and executives</li> <li>• Disclosure of ESG information in accordance with global standards</li> <li>• Take measures to ensure information security</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate governance ..... <b>Page 50-51</b></li> <li>• Risk management ..... <b>Page 51</b></li> <li>• Directors and Audit &amp; Supervisory Board Members ..... <b>Page 52-53</b></li> </ul>

**Attitude Reform**

- Think and act independently and remain reform-minded with readiness to change our mindset if necessary
- Execute assigned duties wisely and efficiently
- Shift to flexible thinking
- Pursue growth by taking up challenges beyond the boundaries

**Work Style Reform**

- Develop human resources who can play important roles in the global community
- Increase business efficiency through the active use of ICT
- Share business know-how among employees to make them immediately available in business and improve service quality
- Make workplaces attractive for employees

**Work Environment Improvement**

- Promote collaboration among individuals and companies with diverse values
- Provide employees with equal opportunities irrespective of nationality, age, gender or location of residence
- Develop a work environment and system whereby employees can work anywhere and any time

# E Environment

## Environment

Addressing the issues of the environment both at regional and global levels is of paramount importance for the Daigas Group, which is engaged primarily in the energy business. Climate change, which is driven by greenhouse gases, is especially a global issue that greatly affects society and ecosystems. Since the emission of greenhouse gases is a large part of the environmental impact deriving from the Daigas Group's business activities, we will actively address greenhouse gas emissions.

### Understanding and management of environmental impact throughout the Daigas Group value chain

The Daigas Group calculated the amount of greenhouse gas (GHG) emitted by companies that constitute the Daigas Group's value chain network, based on the GHG Protocol, an international emission standard. The methodology of the calculation and its results have been certified by an independent organization to warrant their reliability and accuracy. Combined GHG emissions by the Daigas Group and value-chain companies, measured by CO<sub>2</sub>, totaled about 36.63 million tons in FY2018.3. The sum breaks down into about 5.16 million tons or about 14% for GHG emitted through business activities by the Daigas Group (Scope 1 and Scope 2), and about 31.47 million tons or about 86% emitted by organizations involved in our value chain (Scope 3).

#### Scope 1 and Scope 2

GHG emissions through electricity generation by the Daigas Group, as measured in terms of CO<sub>2</sub>, came to 4.71 million tons, representing about 13% of the total emissions from its own business activities. With the power generation business expanding, the ratio of CO<sub>2</sub> emissions from that business has been increasing every year. As a way of reducing GHG emissions from power generation, the Group will continue to actively introduce highly advanced energy-efficient power generation facilities and using renewable energy sources.

#### Scope 3

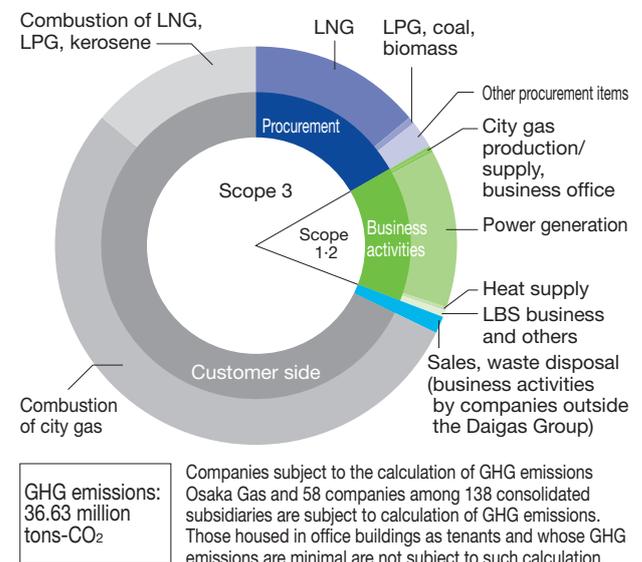
GHG emissions from city gas combustion on the customer side amounted to 19.65 million tons in the reporting year in terms of CO<sub>2</sub>, accounting for about 54% of the total. This makes it all the more important for Osaka Gas to further diffuse energy-efficient Ene-Farm systems and cogeneration systems—for which our company has mounted a promotional campaign—while promoting energy conservation using natural gas, an energy source that emits less CO<sub>2</sub>. GHG emissions from material and fuel procurement totaled 6.19 million tons, as measured in terms of CO<sub>2</sub> in the year, accounting for about 17% of the total emissions. The procurement of energy sources, especially LNG, accounted

for nearly 90% of the 5.9 million tons. Under these circumstances, we will continue our efforts to improve fuel efficiency regarding the operation of LNG tankers in collaboration with material suppliers.

#### Environmental impacts other than GHG emissions

Activities that have potential environmental impacts other than GHG emissions include the disposal of waste (general waste and industrial waste), and the disposal of excavated soil and polyethylene pipes associated with gas pipe works. However, the recycling rates are high for such waste, a situation we will try to maintain in the future. About 97% of water used for our industrial activities is taken from the sea. Such water is mostly used to vaporize LNG at LNG terminals. Sea water is also used as coolant inside the steam turbine condenser at some power plants. Once used, the water is discharged into the sea under strict control.

#### GHG Emissions Throughout the Value Chain in FY2018.3



### Work to Reduce CO<sub>2</sub> Emissions

#### Evaluation Method

The Long-Term Management Vision 2030 of the Daigas Group aims to reduce the Group's CO<sub>2</sub> emissions by a cumulative total of about 70 million tons between FY2018.3 and FY2031.3. The targeted reduction during the period was calculated based on the benchmark FY2017.3 CO<sub>2</sub> emissions. The projection took into consideration expected effects from highly

energy-efficient facilities planned to be introduced in FY2018.3 or after, and the active use of low-carbon energy sources. The projected amount was calculated by totaling the reduction contribution of newly introduced high-efficiency equipment and low-carbon energies. The reduction contribution was assumed by multiplying the introduced amount by emission

reduction of the new facilities compared to existing facilities.\* As shown below, the Daigas Group expects to see its Scope 1, Scope 2 and Scope 3 GHG emissions grow in line with its expanding business size. However, the Group's efforts to reduce CO<sub>2</sub> emissions, such as replacing it with a low-carbon energy system, will reduce emissions at other companies' and

their value chains, which in turn will contribute to society-wide emission reductions.

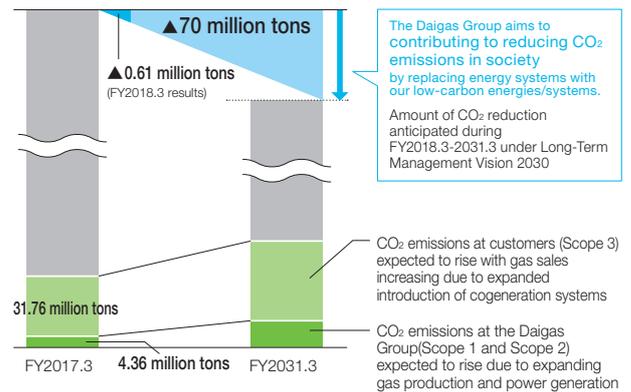
\* A method employed by the state for calculating the amount of CO<sub>2</sub> cuts under its plan to curb global warming (approved by the Cabinet in May 2016) was used as a reference. The marginal coefficient (average emission coefficient for fossil-based electricity sources) was used for the CO<sub>2</sub> emission coefficient for purchased electricity.

## FY2018.3 Results

Measures newly taken by the Daigas Group during FY2018.3 included the introduction of cryogenic power generation systems at gas processing terminals, the use of highly energy-efficient thermal power generation facilities both in Japan and abroad, the introduction of fuel cells, gas air conditioner systems and highly energy-efficient hot-water supply systems at customers, and the conversion of fuels into natural gas both in Japan and abroad. Thanks to these measures, the Daigas Group was able to contribute to reducing CO<sub>2</sub> emissions by about 610,000 tons during FY2018.3. The Group will remain committed, both at its companies and customers, to contributing to building a low-carbon society by actively introducing highly energy-efficient facilities and using low-carbon energy sources.

- CO<sub>2</sub> emissions at the Daigas Group (Scope 1 and Scope 2)
- CO<sub>2</sub> emissions at value chains operated by the Daigas Group (Scope 3: customers and material procurement)
- CO<sub>2</sub> emissions at other companies and their value chains (power plants operated by other companies and energy users using oil fuels)

### Contribute to Reducing CO<sub>2</sub> Emissions in Society



## Risks and Opportunities Related to Climate Change

### Background and philosophy behind actions

Tackling climate change is seen as one of the Sustainable Development Goals (SDGs) adopted by the United Nations. The Paris Agreement, a UN accord on climate change, went into force in November 2016. The accord is recognized as a framework of international efforts since 2020 for solving issues related to climate change. The Daigas Group recognizes that reducing greenhouse gas (GHG) emissions, known to be a factor for causing climate change, significantly and on a long-term basis, addressing the worldwide challenge of creating a low-carbon society in the future, and responding

to heightened risks of natural disaster amid growing climate change are social issues facing the global community. The Daigas Group believes reducing CO<sub>2</sub> emissions is an extremely important mission for the company, whose primary business field is energy. The Group also believes that climate change may negatively affect its earnings and costs throughout its energy businesses. Shown below is what the Daigas Group is trying to do in response to the perceived risks and opportunities associated with climate change.

### Response to Risks and Opportunities Associated with Climate Change

(Events linked to climate change)	Extreme weather	Rising temperatures	Change in competitiveness of own products / facilities	Tighter GHG emission standards	Change in energy preference of customers	Growing ESG investing	LNG price rise
<b>Risk impact</b>	<ul style="list-style-type: none"> <li>● Damage to production and supply facilities</li> <li>● Obstruction of LNG procurement</li> </ul>	<ul style="list-style-type: none"> <li>● Decrease in gas sales (water heater, heating)</li> </ul>	<ul style="list-style-type: none"> <li>● Competitive disadvantage</li> <li>● Decrease in demand for and operation of own products / facilities</li> <li>● Difficulty in recovering capital investment</li> </ul>	<ul style="list-style-type: none"> <li>● Concerns over fossil fuels</li> <li>● Decrease in gas and electricity sales</li> <li>● Difficulty in recovering capital investment</li> </ul>	<ul style="list-style-type: none"> <li>● Decreased capital raising ability</li> <li>● Stock price drop</li> </ul>	<ul style="list-style-type: none"> <li>● Higher procurement costs</li> <li>● Decrease in gas and electricity sales</li> </ul>	
<b>Opportunity impact</b>		<ul style="list-style-type: none"> <li>● Increase in gas and electricity sales (air conditioning)</li> </ul>	<ul style="list-style-type: none"> <li>● Competitive advantage</li> <li>● Increase in demand for and operation of own products / facilities</li> </ul>	<ul style="list-style-type: none"> <li>● Focus on energy systems with fewer GHG emissions</li> <li>● Increase in gas and electricity sales</li> <li>● Expansion of renewable energy and energy-saving services</li> </ul>	<ul style="list-style-type: none"> <li>● Enhanced capital raising ability</li> <li>● Stock price rise</li> </ul>		
<b>Countermeasures</b>	<ul style="list-style-type: none"> <li>● Making important facilities watertight, moving them to higher locations, subdividing the gas supply area into blocks</li> <li>● Diversification of LNG suppliers</li> </ul>	<ul style="list-style-type: none"> <li>● Expansion of areas where demand is expected to increase</li> </ul>	<ul style="list-style-type: none"> <li>● High-efficiency products / facilities, development and introduction of renewable energy facilities</li> <li>● Fuel conversion to natural gas</li> <li>● Securing stable LNG supply through participation in upstream business</li> <li>● Advertising and proposal-based marketing of GHG emission reduction effects</li> <li>● Policy proposal activities on GHG emission reduction</li> <li>● Participation in and implementation of the Commitment to a Low Carbon Society</li> </ul>	<ul style="list-style-type: none"> <li>● Proposal and promotion of energy-saving services</li> <li>● Surveys and research on innovative technologies such as hydrogen, natural gas as a clean energy source, and CCS etc.</li> </ul>	<ul style="list-style-type: none"> <li>● Dialogue with investors on contribution to GHG emission reduction and business vision etc.</li> </ul>	<ul style="list-style-type: none"> <li>● Diversification of suppliers</li> <li>● Participation in upstream business</li> <li>● Enhanced flexibility of procurement contract terms</li> </ul>	

# S Social [Stakeholder Engagement]

## The Promise to Customers

The Daigas Group will endeavor to ensure stable procurement, stable supply and security to allow customers to utilize energy safely. By doing so, the Group will provide products and services that are valuable to customers.

## Customer Health and Safety

The Daigas Group puts the highest priority on securing safety of gas supply and facilities as an energy business operator which supplies city gas to approx. 6 million customers. Therefore, we consider it important that we make efforts to enhance the safety level and formulate a structure to respond possible accidents and disasters.

### Performance

FY2018.3 target

100%



FY2018.3 result

100%

In fiscal 2018, every 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 terminals, safety inspection of gas pipelines and supply facilities, as well as gas appliances at customers consented.

#### ■ Securing safety at customers' sites

Facilitate systems to respond to reports and prepare resources for dispatching in case of accidents and disasters 24 hours a day, 365 days a year.

In accordance with laws, inspection of gas appliances for gas leaks, gas water heaters for air supply and exhaust

function at customers' sites were conducted. The visits to the customers were exploited as the opportunity for recommending installation of alarms for gas leaks for residential use and ventilation for commercial use.

#### ■ Inspection of gas pipes

Gas supply facilities including pipelines and pressure regulators were inspected to ensure their safety at the frequency and content of such inspections set under in-house "Security Rules."

#### ■ 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 enhancement of safety function and measures in LNG terminals, replacement of old gas pipes with polyethylene pipes, installation of intelligent meter.

## Customer Privacy

As an energy business operator which secures the basis of the society, the Daigas Group considers it is indispensable to recognize the importance of customers' information and those appropriate management.

### Performance

FY2018.3 result

**No objection substantiated was filed during the year.**

During FY2018.3, no proper objection was filed regarding the alleged violation of customer privacy involving the Daigas Group. We will continue to do all we can to beef up the control of personal information of customers.

#### ■ Mechanism to protect personal information

The Daigas Group is doing all it can to prevent the leakage of personal information of customers and other incidents affecting their information by improving the Group's information management system, inspecting the implementation of the system as part of its risk-management efforts, carrying out a periodical audit of its business operations, and taking company-wide response actions

in the event of incidents such as the loss of customer data, including information sharing and mobilization of all organizations to scrutinize the situation. In FY2018.3, the Group revised its manual stipulating how to handle the personal information of customers and employees, based on the revised personal information protection law. Through the revision of the manual, we disseminated the importance of protecting personal information to employees and deepened their understanding of the matter.

#### ■ Education of employees

All Daigas Group employees who have the authority to access PCs loaned to them by the Group, including those working on a 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 this course reached 100% in FY2018.3. These employees also receive e-learning training, twice a year, aimed at enabling them to respond appropriately to targeted e-mail attacks.

## The Promise to Employees

The Daigas Group is working on to become a company that can realize the growth of its employees through work with preparing a personnel management system and environment whereby employees' individuality and initiative are respected, as well as their diverse talents are maximized.

## Employment

### Data on Workforce of the Daigas Group

Osaka Gas has 5,617 employees (4,745 men and 872 women) as of March 31, 2018. We hold joint hiring seminars as a Group,

and 15 companies participated in the FY2018.3 seminar, where approximately 270 students were briefed on each company's business and the types of human resources needed. Osaka Gas also provided about 430 students with opportunities to gain work experience through internships in FY2018.3.

## Acceptance of Diversity

### Promotion of Diversity

As a way of enhancing its corporate value, the Daigas Group believes that it is essential for the Group to promote diversity in its corporate membership and corporate structure whereby employees can maximize their potential, irrespective of gender, age, nationality or physical disability. Recognizing that it is necessary for the Group to foster a corporate culture, the Group has adopted the "Daigas Group Diversity Promotion Policy" aiming for people with diverse personality and talent are respected, accepted, they can feel rewarded and fulfilled through their work.

#### Reemployment scheme

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. All Daigas Group companies have similar reemployment schemes.

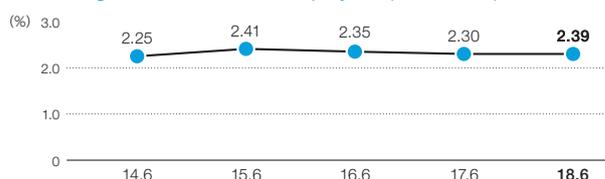
#### Number of Employees Utilized the Scheme at Osaka Gas

	FY2014.3	FY2015.3	FY2016.3	FY2017.3	FY2018.3
No. of retirees	219	236	239	277	313
No. of persons seeking reemployment	167	200	184	214	260
No. of persons reemployed	167	200	184	214	260
No. of reemployed persons working full-time	33	106	105	184	181

#### Hiring the disabled

Osaka Gas does all it can to hire disabled persons and creates a work environment conducive each individual. As a result of these efforts, disabled persons accounted for 2.30% as of June 2018 exceeding the legal minimum of 2.0%. Of the 33 affiliate companies subjected to the relevant law, 19 have achieved the legal minimum.

#### Percentage Rate of Disabled Employees (Osaka Gas)



## Balancing Work and Family

#### Supporting nursing care through systems and the workplace environment

Osaka Gas has a number of systems which exceed the statutory requirement to support employees both while they are working and taking care of their families. Osaka Gas's nursing care leave system allows an employee to take up to 366 days of nursing care time off per family member who needs care. For those who choose to continue working instead of using the nursing care leave system, the nursing care time system allows them to shorten each working day by up to 3 hours / a total of 1,096 days.

#### No. of Employees Taking Childcare and Nursing Leave at Osaka Gas (excluding loaned employees)

	FY2014.3	FY2015.3	FY2016.3	FY2017.3	FY2018.3
Childcare leave	21	28	21	18	31
Male	1	1	1	1	4
Shorter working hours for childcare	35	35	37	31	21
Nursing care leave	0	4	2	1	1
Shorter working hours for nursing care	2	2	2	5	0
Nurturing leave	192	164	171	168	198
Male	175	140	153	149	172
Rate (%)	87.7	77.0	79.2	76.7	88.8

#### Setting up of satellite offices

As part of efforts to promote flexible work styles through telecommuting, satellite offices have been set up inside some of the Osaka Gas's business locations. By using the satellite offices as employees' remote offices, they can concentrate on their assigned business duties, helping increase productivity.

In FY2018.3, a satellite office was set up at our business office located near the main railway terminal JR Osaka Station, in addition to five other satellite offices set up at other business locations.

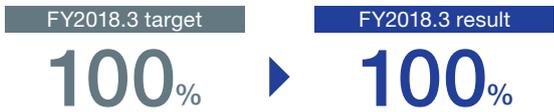


Satellite office set up near Osaka Station

**The Promise to Suppliers**

Widespread value chain of our business functions with imperative cooperation of various business partners. Fulfilling our social responsibilities together with our suppliers in the value chain leads to relationships of mutual trust with our stakeholders, resulting in the development of the entire value chain.

**Performance**



A total of 34 suppliers began new business transactions with Osaka Gas in FY2018.3. In the year, no business deals were barred from being started due to violations of standards set in the fields of environmental and social impacts, human rights and labor practices.

**CSR Survey conducted on LNG suppliers**

Osaka Gas conducted a CSR survey of 11 LNG suppliers with which the Company has concluded long-term contracts. Of the 11 suppliers, 10 replied to the survey which included new questions confirming specific actions for human rights, labor practices, and anti-corruption reflecting changes in global social trends.

In addition, Osaka Gas conducted a CSR survey of 30 gas appliance makers to ensure the safety, environmental/social consideration of gas appliances as well as in doing their business. Of the 30 companies, 27 replied. The survey was designed to confirm the CSR efforts being made by those polled regarding 67 items covered by eight themes including compliance, human rights and other

aspects in line with our “CSR Procurement Guidelines on Gas Appliances and Other Equipment.”

**Measures in material procurement**

Before starting business transactions, Osaka Gas communicates its “Purchasing Policy” and “CSR-based Purchasing Guidelines,” and even confirms their efforts on CSR. In FY2018.3, a survey was conducted on 175 major suppliers to check their CSR efforts. Furthermore, when the suppliers conduct business transactions with Osaka Gas, they are asked to observe “Green Purchase Guidelines” set by Osaka Gas, attached to the specifications for the business transactions.

**Revision to the “Green Partner Initiative”**

The “Green Partner Initiative” adopted by Osaka Gas is designed to promote environmental conservation by suppliers of gas pipeline materials. Under the system, suppliers that are recognized as being active in environmental conservation activities such as the building of an Environmental Management System (EMS) will be registered as Partners. Osaka Gas initially focused on suppliers of gas pipelines for its “Green Partner Initiative.” In FY2016.3, the Company revised the initiative to cover companies other than suppliers of gas pipeline materials as well. As of the end of March 2018.3, 108 suppliers were registered as Partners.

**The Promise to Shareholders**

Daigas Group is committed to meeting shareholders’ expectations for stable, long-term growth and maximized corporate value, while maintaining its sound financial foundation.

**General Meeting of shareholders**

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

**Dialogue with shareholders and investors**

The Daigas Group has been stepping up information disclosure and dialogue with shareholders and investors with the aim of strengthening our management base, regarded as necessary to generate profit in a stable manner and return part of it to shareholders continuously.

**Activities in FY2018.3**

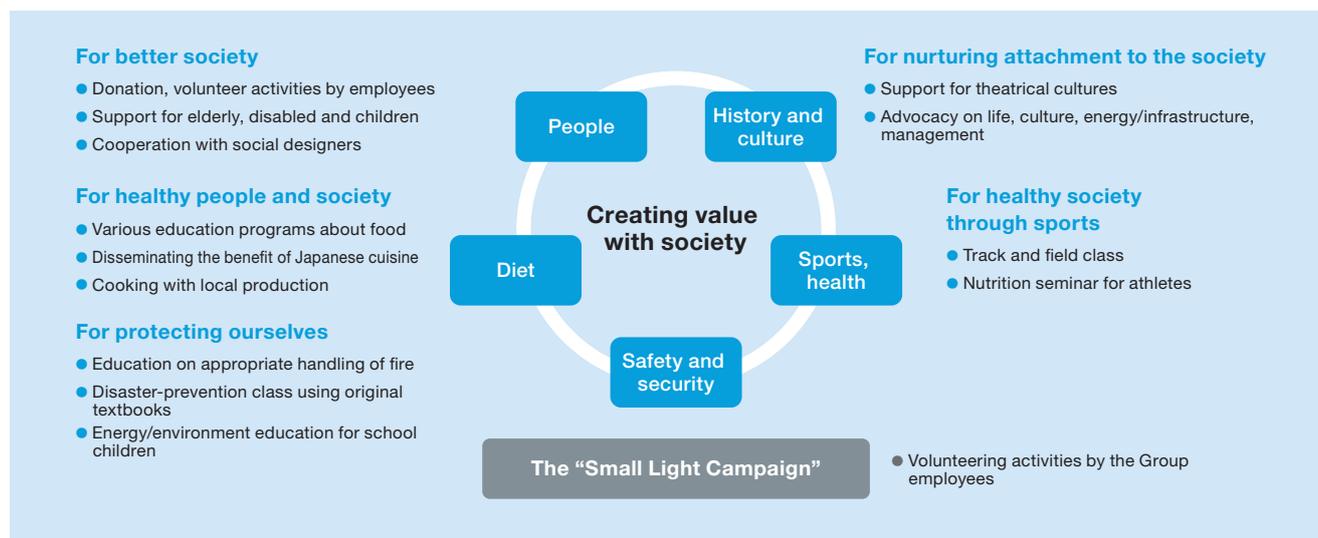
No. of briefings on financial results and business plans: 5  
 No. of meetings with institutional investors and analysts: 137  
 (74 and 63 held in Japan and overseas, respectively)

## The Promise to Society

The Daigas Group will work on creating regional value by supporting community building.

### Joining hands with local communities to create new social value

In a bid to create new value in regions, the Daigas Group is supporting community building under five themes—people, history and culture, sports, safety and security, and diet. The Group is also stepping up the "Small Light Campaign," a volunteer initiative led by employees.



### "Small Light Campaign"

The Daigas Group launched the "Small Light Campaign" in 1981. Begun with the idea that individual employees should take an interest as a member of the society and give serious thought to resolving the various problems facing their local communities, this initiative's goal is that the employees' actions contribute to development of the society.

### Food education activities

The Daigas 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 seminars/symposiums for teachers and municipalities, preparing and providing food education learning materials to elementary schools. With Japanese food being registered as a UNESCO intangible cultural heritage, in 2017, we set up a course aimed at succeeding to the next generation of healthy and rich food culture by Japanese dashi. This is a new experiential and business trip program closely tied to the local community in order to contribute to environmental changes surrounding the food and improvement of the diet of children.

The Minister of Agriculture, Forestry and Fisheries gave the award to Osaka Gas in recognition of the above activities.

### Disaster prevention education

After the Great East Japan Earthquake, the need for disaster education has increased. Against this backdrop,

Osaka Gas has created the original educational material "Disaster prevention classes to think about," and distributed it to schools, universities, administrative organizations, community associations, etc. free of charge. The content of material has come to be able to learn about natural disasters in Japan, changes in living at times of disasters and wisdom and ingenuity useful at that time in a workshop format. The total number of distribution exceeded 100,000 volumes in 4 years from the start of distribution.

These activities were evaluated and received the Excellence Award in the "Corporate and Industry Organization" section of "Consumer Education Teaching Material Award 2018" sponsored by the National Institute on Consumer Education.

### NOBY T&F CLUB activities

Osaka Gas has used its resources and assets to help build vitality-filled communities. For example, NOBY T&F CLUB, an athletic club run by Olympic medalist Nobuharu Asahara, an Osaka Gas employee, provides a variety of athletic programs to young athletes to support their sound growth and foster top-level athletes who are to play a key role in Japan's future athletic sports. A multiple number of businesses have been launched at local municipalities based on the know-how obtained through the NOBY T&F CLUB. Suminoe Ward in Osaka City used an athletic program developed by NOBY T&F CLUB for classes conducted between September 2017 and March 2018 as part of their efforts to promote advanced and attractive education in elementary schools and junior high schools.

# G Governance [Corporate Governance]



Representative Director **Masataka Fujiwara**      Representative Director and Chairman **Hiroshi Ozaki**      Representative Director **Hidetaka Matsuzaka**      President **Takehiro Honjo**      Representative Director **Tadashi Miyagawa**

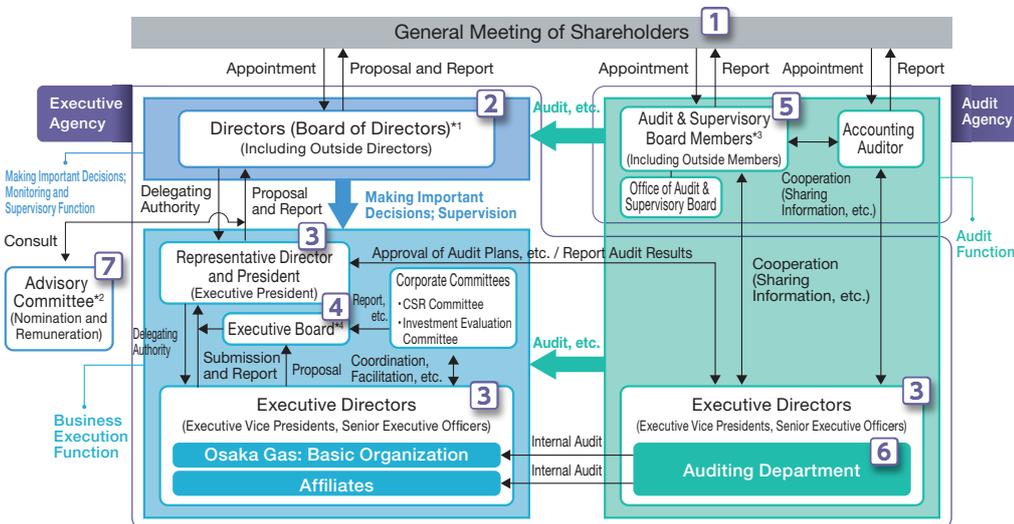
## Basic stance toward corporate governance

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

Corporate governance organization chart (as of June 28, 2018)



\*1 Board of Directors: 13 directors (10 internal directors and 3 outside directors)  
 \*2 Advisory Committee: 3 outside directors, 3 outside Audit & Supervisory Board Members, Representative Director and President and persons appointed by the President (up to two members who are Representative Directors)  
 \*3 Audit & Supervisory Board: 5 Audit & Supervisory Board Members (2 full-time Audit & Supervisory Board Members, 3 outside Audit & Supervisory Board Members)  
 \*4 Executive Board: 1 Executive President, 3 Executive Vice Presidents and 7 Senior Executive Officers

## 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 fiscal 2018 and had an attendance rate of 98.8%. There was adequate time for deliberations, and active discussions were conducted.

## 3 Executive Officers

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

## 4 Executive Board

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

## 5 Audit & Supervisory Board, Audit & Supervisory Board Members

Osaka Gas has chosen the organizational form as a company with an Audit & Supervisory Board. The Audit & Supervisory Board consists of five Audit & Supervisory Board Members, of whom three are outside auditors and each Audit & Supervisory Board Member monitors the execution of work duties by the Directors.

The 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 17) 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

To maintain objectivity and achieve transparency in the decision-making process, matters relating to appointment of Director and Audit & Supervisory Board Member candidates, appointment and dismissal of Representative Director and other Executive Officers, and matters relating to Directors' remuneration are deliberated at an advisory committee made up of a majority of external Officers before decision is made in light of such deliberations.

## Risk management

In the Daigas 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**



Vice-President

**Hidetaka  
Matsuzaka**



Vice-President

**Masataka  
Fujiwara**



Vice-President

**Tadashi  
Miyagawa**



Director

**Takeshi  
Matsui**



Director

**Takayuki  
Tasaka**



Director

**Hisaichi  
Yoneyama**



Director

**Fumitoshi  
Takeguchi**



Director

**Shigeru  
Chikamoto**



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, 2017–March 31, 2018)  
Attended 13 of 13 meetings of the Board of Directors.  
He made comments as appropriate based on his considerable experience and extensive knowledge in corporate and organizational management and from his independent position as an outside director.

### 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)  
2013.6 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  
Board of Directors Meetings Attendance Record (April 1, 2017–March 31, 2018)  
Attended 11 of 13 meetings of the Board of Directors.  
He made comments as appropriate based on his considerable experience and extensive knowledge in organizational management and from his independent position as an outside director.

### 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  
2016.6 Director of the Company (current)  
2018.6 Advisor, West Japan Railway Company (current)  
Board of Directors Meetings Attendance Record (April 1, 2017–March 31, 2018)  
Attended 13 of 13 meetings of the Board of Directors.  
He made comments as appropriate based on his considerable experience and extensive knowledge in corporate and organizational management and from his independent position as an outside director.

# Audit & Supervisory Board Members



Audit &  
Supervisory  
Board Member

**Takahiko  
Kawagishi**



Audit &  
Supervisory  
Board Member

**Akihiko  
Irie**



Outside Audit &  
Supervisory  
Board Member

**Yoko  
Kimura**



Outside Audit &  
Supervisory  
Board Member

**Eiji  
Hatta**



Outside Audit &  
Supervisory  
Board Member

**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  
2000.12 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 Member of the Company (current)  
2015.4 Director, Nara Prefectural University (current)

Board of Directors Meetings and Audit & Supervisory Board Meetings Attendance Record (April 1, 2017-March 31, 2018)

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

She made comments as appropriate based on her considerable experience and extensive knowledge in organizational management and from her independent position as an outside Audit & Supervisory Board Member.

## 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  
2015.6 Audit & Supervisory Board Member of the Company (current)  
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 and Audit & Supervisory Board Meetings Attendance Record (April 1, 2017-March 31, 2018)

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

He made comments as appropriate based on his considerable experience and extensive knowledge in organizational management and from his independent position as an outside Audit & Supervisory Board Member.

## 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  
2016.6 Audit & Supervisory Board Member of the Company (current)

Board of Directors Meetings and Audit & Supervisory Board Meetings Attendance Record

(April 1, 2017-March 31, 2018)

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

He made comments as appropriate based on his considerable experience and specialized knowledge as a legal professional and from his independent position as an outside Audit & Supervisory Board Member.

## Director and Audit & Supervisory Board Members Remuneration

To maintain objectivity and achieve transparency in the decision-making process, the remuneration for each Director shall be deliberated at an advisory committee made up of a majority of outside officers before decision is made by a resolution of the Board of Directors, with such amounts being within the maximum amount approved at the Annual Meeting of Shareholders (¥63 million per month). For making such decisions, the Company has designed a remuneration system for Directors, referring to levels of remuneration at other companies and each Director's roles and responsibilities, to encourage their efforts to realize consistent growth and increase medium and long-term corporate value, in which a Director's remuneration consists of a fixed amount and a performance-based amount linked to the consolidated business results of the Company for the past three years. The advisory committee is comprised of inside and outside

members, with outside committee members being all of the outside officers (the three outside Directors and the three outside Audit & Supervisory Board Members). The inside committee members are the Company President and if necessary, persons appointed by the President (the President may appoint up to two other Representative Directors). The committee members elect the committee chairperson from amongst themselves.

Remuneration for each Audit & Supervisory Board Member shall be determined through discussions among Audit & Supervisory Board Members within the amount of remuneration (up to ¥14 million per month) approved at the Annual Meeting of Shareholders, taking into consideration the position, etc. of each Audit & Supervisory Board Member.

The system of paying retirement benefits to Directors and Audit & Supervisory Board Members has been abolished.

## 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. Candidates for directors and Audit & Supervisory Board Members are in principle selected from a diverse group of people taking their knowledge, experiences, abilities, and personalities, etc., into account. In addition, during selection of outside director candidates, the Company takes into consideration 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 criteria for the independence of outside officers stipulated by the company as below, 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	11
Audit & Supervisory Board Members (excluding outside members)	67	2
Outside directors	32	3
Outside Audit & Supervisory Board Members	32	3

Note: The number of persons and amounts include one internal director who retired as of the close of the Company's 199th Annual Shareholders' Meeting held on June 29, 2017. Moreover, the total amount of remuneration is made up of basic remunerations (monthly remuneration) comprised of a fixed portion and a portion based on performance.