

Corporate Governance

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Guided by the principles of good corporate governance, the Osaka Gas Group is committed to practicing sound and transparent management while maximizing corporate value.



Representative Director
Takehiro Honjo

President
Hiroshi Ozaki

Representative Director
Masato Kitamae

Representative Director
Hirofumi Kyutoku

Directors and Corporate Auditors

(As of June 27, 2013)

President

Hiroshi Ozaki

Representative Directors

Masato Kitamae
Takehiro Honjo
Hirofumi Kyutoku

Directors

Takahiko Kawagishi
Hidetaka Matsuzaka
Yoichiro Ozaki
Kenji Ikejima
Masaki Fujita
Yasuo Ryoki
Tetsuo Setoguchi

Outside Directors

Shunzo Morishita
Hideo Miyahara

Corporate Auditors

Shingo Kamei
Shiro Takenaka

Outside Corporate Auditors

Toshihiko Hayashi
Atsushi Hayashi

Basic Stance toward Corporate Governance

The Osaka Gas Group, seeking to maximize corporate value, operates in accordance with its “Value Creation Management” philosophy, which stipulates that value should be raised for all stakeholders including customers, shareholders, society, and employees through fair and transparent business practices.

Guided by this management philosophy, the Group is working to further improve the soundness of management. At the same time, we are endeavoring to not only maintain the current status of our corporate governance system, but also to enhance and strengthen its content and quality. In this manner, every effort is being made to ensure that business is executed in an efficient and appropriate manner and that the Group responds swiftly and precisely to changes in its business environment.

Corporate Governance Structure and Systems

Following the internal regulations stipulated by such internal organizations as the Board of Directors, Osaka Gas thoroughly deliberates and makes decisions upon relevant issues after careful scrutiny from a technical perspective conducted by the Executive Board, which is composed of executive directors and senior executive officers. The Board of Directors consists of 13 directors (including two outside directors). Its mission is to make swift and appropriate decisions concerning important matters that affect the Group as a whole, including subsidiary and other companies. 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. Matters pertaining to the appointment of directors and corporate auditors as well as remuneration paid to directors are determined after taking into consideration deliberations by the Management Advisory Committee. As a part of efforts to ensure transparency and objectivity, the Management Advisory Committee is composed of a majority of outside directors.

Audit Structure and Systems

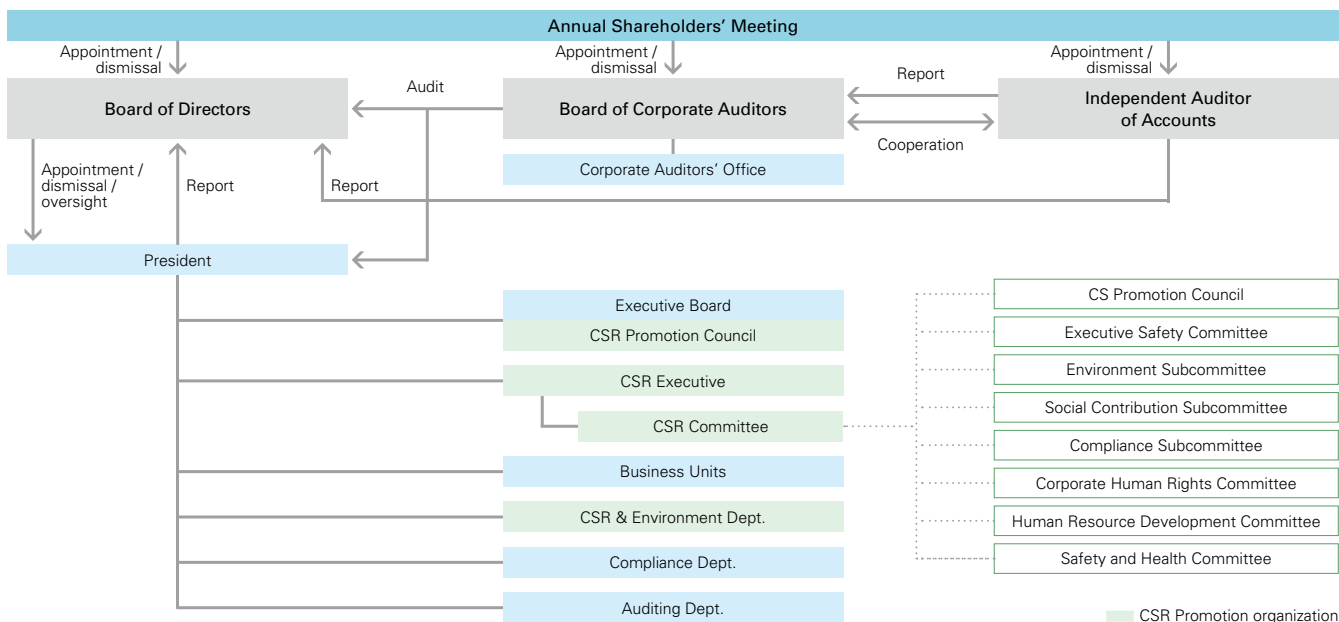
Osaka Gas has adopted the corporate auditor system. The Board of Corporate Auditors is comprised of four members, including two outside corporate auditors, who monitor and audit the duties and performance of directors. The Corporate Auditors’ Office, consisting of four full-time staff operating outside the directors’ chain of command, has been established to strengthen the role played by corporate auditors. It assists in investigations of corporate auditors to further ensure that their duties are fully and properly executed.

In addition, corporate auditors, accounting auditors, and auditing departments meet on a regular basis to discuss annual audit plans and audit reports, and also convene as required to exchange audit information to ensure the effectiveness of the auditing activities.

For its accounting audit, the Company has concluded a contract agreement with KPMG AZSA LLC.

Corporate Governance Organization

(As of June 27, 2013)



46 The Functions and Roles of Outside Directors and Outside Corporate Auditors

Osaka Gas appoints two outside directors and two outside corporate auditors. Outside directors participate in the decision-making process as members of the Board of Directors and are expected to undertake auditing and monitoring duties. Outside corporate auditors are expected to fulfill their duties as auditors by monitoring the execution of operations by directors from a strictly independent standpoint.

The concrete roles of outside directors and outside corporate auditors include verifying the state of the internal governance system in accordance with Japan's Companies Act, evaluating internal governance related to financial reporting in compliance with the Japanese Financial Instruments and Exchange Law, and holding hearings on the status of internal audits and the state of CSR in relation to the Board of Directors or other parties. They also confirm the content of audit reports compiled by the independent auditor of accounts.

Reasons for Appointing Outside Directors and Outside Corporate Auditors

Osaka Gas has appointed two outside directors and two outside corporate auditors. In determining a particular appointment, the Company maintains specific predetermined criteria to ensure an appropriate level of independence. Outside directors and outside auditors are not major trading partners of or major shareholders in the Osaka Gas Group, are not nor have they been executives or employees at other companies that are major trading partners of or major shareholders of the Group, and are deemed to be without any conflicts of interest with general shareholders.

The reasons for the appointment of individual outside directors and outside corporate auditors are presented as follows.

Outside Director	Individual Reason for Appointment	Concurrent Positions Held
Shunzo Morishita 2004 Representative Director and President of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION 2008 Director and Executive Advisor of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION 2009 Director of the Company (current) 2010 Executive Advisor of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (current) 2012 Chairman of the Board of Directors of Hanshin Expressway Company Limited (current)	Mr. Morishita's suitability and appointment as an outside director is based on his wealth of experience and wide-ranging business insight as former CEO of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION.	Yes

Outside Director	Individual Reason for Appointment	Concurrent Positions Held
Hideo Miyahara 2002 Dean of the Graduate School of Information Science and Technology, Osaka University 2003 President of Osaka University 2007 President of the National Institute of Information and Communications Technology 2013 Specially Appointed Professor, Osaka University Graduate School of Information Science and Technology (current) 2013 Director of the Company (current)	Mr. Miyahara's suitability and appointment as an outside director is based on his excellent achievements in the field of information engineering as well as his extensive experience and knowledge in organizational management as President of Osaka University.	Yes

Outside Corporate Auditor	Individual Reason for Appointment	Concurrent Positions Held
Toshihiko Hayashi 1994 Professor of the Graduate School of International Public Policy, Osaka University 2002 Professor of the Open University of Japan 2006 Corporate Auditor of the Company (current) 2010 Professor Emeritus of the Graduate School of Policy and Management, Doshisha University	Mr. Hayashi's suitability and appointment as an outside corporate auditor is based on his considerable expertise and knowledge in the management field.	No

Outside Corporate Auditor	Individual Reason for Appointment	Concurrent Positions Held
Atsushi Hayashi 2008 President of the Takamatsu High Court 2010 Professor of the Graduate School of Law, Kyoto University (current) 2012 Corporate Auditor of the Company (current)	Mr. Hayashi's suitability and appointment as an outside corporate auditor is based on his wealth of experience and specialist insight as a legal professional gained across a variety of positions, including President of the Takamatsu High Court.	No

Director and Corporate Auditor Remuneration

In order to ensure transparency and objectivity, the amount of remuneration paid to each director is determined by a resolution of the Board of Directors after taking into consideration deliberations by the Management Advisory Committee, which is composed of a majority of outside directors. The amount falls within the scope (up to a maximum of ¥63 million per month) approved at the Annual Meeting of Shareholders and reflects the position and responsibilities of each director as well as the level of contribution to the Company's performance. The amount of remuneration paid to outside directors is fixed taking into consideration their independence from the business execution function.

The amount of remuneration paid to each corporate auditor is determined following deliberations by corporate auditors. The amount falls within the scope (up to a maximum of ¥14 million per month) approved at the Annual Meeting of Shareholders and reflects the position of each corporate director.

The system of paying retirement benefits to directors and corporate auditors has been abolished.

Classification	Total amount of remuneration (millions of yen)	Number of payees
Directors (excluding Outside Directors)	512	13
Corporate Auditors (excluding Outside Corporate Auditors)	64	3
Outside Directors and Outside Corporate Auditors	42	5

Risk Management Structure and Systems

The Osaka Gas Group has developed and used the Gas Group Risk Management System (G-RIMS) as a self-assessment risk management mechanism since the fiscal year ended March 31, 2007. Following an annual self-assessment by each division, the secretariat (Auditing Department, Compliance Department, Corporate Strategy Department, and Affiliated Business Department) holds discussions with each division to exchange opinions and monitor implementation. Depending on the assessment and concerning issues of particular importance that have been identified, steps are taken to ensure that pertinent information is commonly shared through reports presented to management. Each division head and manager is responsible for taking action to resolve any issues that have been identified. At the same time, steps are taken to secure an effective PDCA cycle through these risk management activities across the entire Group.

Internal Control

Osaka Gas has established the Auditing Department (with a staff of 20) that functions as an internal auditing division and, based on a yearly auditing plan, monitors the appropriateness and efficiency of business activities and provides internal organizations with advice and recommendations. For business units, core Group companies, and other sections, the Group is working to enhance and strengthen the auditing and internal control functions. For example, basic rules for affiliated companies and self-auditing regulations commonly shared by Group companies more clearly define the roles and duties of internal auditors. Moreover, auditors evaluate internal controls over financial reporting based on the Japanese Financial Instruments and Exchange Law and report to management.

Investor Relations Activities

Osaka Gas takes the opinions and proposals of shareholders and investors with the utmost seriousness and recognizes the importance of incorporating this feedback into its ongoing management. Accordingly, the Company focuses on activities that facilitate proactive communication with shareholders and investors.

Investor Relations Activities

The establishment and announcement of a disclosure policy	Osaka Gas has put in place a disclosure policy. Details are posted on the Company's website. (http://www.osakagas.co.jp/en/ir/disclosure-policy/)
Regular briefings for individual investors	Osaka Gas conducts briefings for individual investors through a variety of channels, including equity investment seminars organized by securities firms.
Regular briefings for analysts and institutional investors	Osaka Gas holds briefings for analysts and institutional investors twice each year on the occasion of announcements of financial results for the second and fourth quarters, respectively.
Disclosure of IR materials on the Company's website	Osaka Gas posts details of term-end results, financial information, business reports, fact books, and other corporate data on its website. (http://www.osakagas.co.jp/en/ir/index.html)
Establishment of IR units (appointment of IR officers)	<ul style="list-style-type: none"> ● Units responsible for IR: Corporate Strategy Department, Corporate Planning HQ ● Director responsible for IR: Masato Kitamae (Representative Director) ● IR liaison officer: Megumu Tsuda (IR General Manager, Corporate Planning HQ)
Other	While the Company does not hold overseas briefing sessions on a regular basis, representative directors and other officers periodically call on overseas investors. On each occasion, steps are taken to provide wide-ranging information, including details of the Company's management strategies.