

(Translation)

## Corporate Governance Report

Last Update: June 29, 2017

Osaka Gas Co., Ltd.

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Securities code: 9532

<http://www.osakagas.co.jp/en/index.html>

The corporate governance of Osaka Gas (the “Company”) is described as follows.

### I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

#### 1. Basic Views (Updated)

In March 2017, the Osaka Gas Group (the “Group”) formulated the 2030 Long-term Management Vision and 2020 Medium-term Management Plan, “Going Forward Beyond Borders.”

To create opportunities amid the dramatic changes in the business environment portended by the overall liberalization of the energy industry, the Group will implement its triple “Going Beyond” policy, i.e., “Going Beyond Customer Expectations”, “Going Beyond Business Framework”, and “Going Beyond Corporate Framework” to contribute to the development of society, local communities and customers with the aim of becoming a revolutionary energy and services company that continues to win customers.

While striving to maintain the company policy of “Service First” and being a “Corporate Group that powers continuous advancement in consumer life and business”, under its corporate philosophy which foremost seeks to create “Value for Customers”, “Value for Society”, “Value for Shareholders”, and “Value for Employees”, the Group will carry out activities towards attaining the 2030 Long-term Management Vision.

Towards realization of the 2030 Long-term Management Vision and 2020 Medium-term Management Plan, based on our code of conduct, the Osaka Gas Group CSR Charter, and the Osaka Gas Group Code of Conduct and the Osaka Gas Group Environmental Code of Conduct, which are specific codes of conduct thereunder, the Company will strive to achieve sustainable growth and increase medium and long-term corporate value by engaging in transparent, fair, and decisive decision-making and efficient and proper business activities as well as continually enhance and strengthen corporate governance to enhance the level of the entire Group’s corporate social responsibility (CSR) by responding appropriately to the exercising of shareholder rights and working toward maintaining and increasing a sense of trust by dialogue and cooperation with its stakeholders.

#### [Reasons for Non-compliance with the Principles of the Corporate Governance Code]

For full compliance now

The Company complies with the principles of the Corporate Governance Code.

#### [Disclosure Based on the Principles of the Corporate Governance Code] (Updated)

##### [Principle 1.4] (Cross-shareholdings)

If and only if sales/procurement transactions and cooperation with other companies through business alliances are necessary for promoting the Group’s business and the purchase can be expected to contribute to the Group’s business, the Group may purchase listed stocks pursuant to the rules on the purchase and

management of third-party stocks.

After the stock purchase, the Group establishes a management organization, regularly confirms whether contribution to the Group's business can be expected by looking at the earnings of the company in which the investment was made, and reports to the Board of Directors before the Group sells the shares ownership of which no longer makes much sense while taking into account its impact on the market.

The Company discusses various agenda by employing diverse methods including conversation with the company in which the Group has invested to determine taking into account whether exercising shareholder rights will contribute to sustainable growth of the target company and to raising its medium and long-term corporate value, or whether it will hurt the Group's corporate value.

**[Principle 1.7] (Related Party Transactions)**

The Group complies with the stipulations of the Companies Act, and if Directors engage in competitive transactions or conflict of interest transactions, the Board of Directors' rules stipulate that such transactions require approval of and report to the Board of Directors.

A briefing is given when Directors are appointed concerning competitive transactions or conflict of interest transactions. Subsequently, an opportunity is provided to the Directors every year to confirm whether there have been such transactions.

**[Principle 3-1] (Full Disclosure)**

**(1) Corporate Philosophy, Business Strategy and Business Plans**

The Group has formulated and announced its Osaka Gas Group Corporate Philosophy, and is striving to enhance its medium and long-term corporate value through fair and transparent business practices.

In formulating and announcing its business strategy and business plans, the Company discloses its earnings plans, capital policy, and basic policy as well as its goals on ROE (current net earnings ratio against capital), ROA (current net earnings ratio against total assets), EBITDA (\*1), Shareholders' equity ratio, D (Debt)/E (Equity) ratio, and its target dividend payout ratio to explain its efforts to continuously improve corporate value to its shareholders and investors.

(\*1) Operating income + Depreciation cost + Amortization of goodwill + Equity in earnings/losses of affiliates

The Osaka Gas Group Corporate Philosophy and business plans are provided at the following website:

<http://www.osakagas.co.jp/en/ir/index.html>

**(2) Basic Principles on Corporate Governance**

The basic principles on corporate governance are as provided in "I1. Basic Views" of this report.

**(3) Policy and Procedures for Deciding Officer Remuneration**

The policy and procedures for deciding officer remuneration are as provided in "II 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System), (4) Policies on Deciding Remuneration for Officers."

**(4) Policy and Procedures concerning Selection of Officer Candidates**

The policy and procedures concerning selection of officer candidates are as provided in "II 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System), (5) Policies on selecting candidates for Directors and Audit & Supervisory Board Members."

**(5) Reasons for Selecting Officer Candidates**

Explanations regarding the selection of Director and Audit & Supervisory Board Member candidates are provided in the reference documents of the shareholders meeting convocation notice.

**[Supplementary Principle 4.1.1] (Overview of the scope of management delegation)**

The Directors make up the Board of Directors and make important business decisions as well as monitor and supervise business operations.

The Board of Directors establishes its meeting rules, agenda standards for items to be discussed at the meetings, make resolutions and approve important business matters relating to the Group. Important business matters include making decisions on the Group's business plans, establishing important organizations, making important personnel decisions, making decisions on important investments exceeding a certain amount, concluding contracts the like. As for other matters, Executive Directors, Operating Officers, and

organizational heads are delegated authority for operations in accordance with the Company's internal rules stipulating job responsibilities and job authorities. To supervise operations, the Executive Directors reports the status of operations at least once every three months to the Board of Directors.

**[Principle 4.9]** (Independence Standards and Qualification for Independent Directors)

Standards for judging the independence of the Company's external Directors are as provided in "II. 1. Organizational Composition and Operation [Independent Officers] Other Matters regarding Independent Officers" of this report.

**[Supplementary Principle 4.11.1]** (Point of view regarding overall balance of the Board of Directors, diversity and size)

The Company's Board of Directors makes important management decisions and supervises operations. In accordance with the Articles of Incorporation, the maximum number of Directors is 15 and the Board is comprised of internal Directors and multiple external Directors.

For the Board of Directors, internal Directors are selected in such a way to maintain a balance in terms of professional knowledge and experience from each Group business segment and corporate department and external Directors are selected from persons that can make objective judgments regarding the business agenda from a diversified and independent viewpoint.

**[Supplementary Principle 4.11.2]** (Status of Directors and Audit & Supervisory Board Members holding concurrent positions)

There may be a case where the Company's Directors and Audit & Supervisory Board Members at times serve concurrently as an Officer for another listed company, however, the number thereof is within a reasonable range, and important concurrent positions held are disclosed annually in the business report as well as in the reference documents which are attached to the shareholders meeting convocation notice. Concurrent positions held by Directors are reported regularly to the Board of Directors to make sure that there are no problems with the Director fulfilling his/her duties to the Company.

**[Supplementary Principle 4.11.3]** (Analysis and Evaluation of Effectiveness of the Board of Directors as a Whole)

The Company analyzed and evaluated the effectiveness of the Board of Directors, centering on outside Officers (outside Directors and outside Audit & Supervisory Board Members).

Specifically, the Board of Directors Secretariat held interviews with all Directors and Audit & Supervisory Board Members on questions such as whether the operation and information provision of the Board of Directors were appropriate and sufficient, and whether the opinions received from outside Officers during evaluation last year (e.g., enhancing discussions relating to medium and long-term issues and corporate strategy) have been addressed, and in light of the results thereof, held discussions with outside Officers, and made its evaluations, which confirmed that such matters have been appropriately addressed.

Further, outside Officers shared and discussed the evaluation results with the Board of Directors, and it was thereby confirmed that the Company's Board of Directors actively engages in deliberations based on necessary and sufficient information, including advance provision of materials and explanations, and that its effectiveness is fully secured.

The Company will take into consideration the opinions of outside Officers, and take initiative to further enhance the effectiveness of the Board of Director going forward.

**[Supplementary Principle 4.14.2]** (Training policy for Directors and Audit & Supervisory Board Members)

When appointed, the Company provides internal Officers an opportunity to acquire knowledge regarding their roles, legal duties to be complied with, and responsibilities expected for a Director or Audit & Supervisory Board Member. Subsequently, the Company regularly provides opportunities internally or externally for Officers to continue to acquire knowledge necessary for comprehension of legal revisions and other latest world trends.

As for external Officers, the Company explains the Group's businesses and offers an opportunity to the Officers upon appointment to deepen their understanding so that they can put to practice their expertise and experience in each of their fields for supervising and auditing the Company's business. Later, the Company also offers opportunities as necessary in which the business environment and business trends are explained accurately in a timely manner so that outside Officers can gain an understanding.

**[Principle 5.1] (Policy for Constructive Dialogue with Shareholders)**

The Company looks to build long-term relationships with its shareholders and investors based on trust by making timely and fair information disclosures regarding the Group's business and finances and by engaging in constructive dialogue with them.

Dialogue with the Company's shareholders and investors is led by the Business Planning Headquarters Division General Manager, operated mainly by the IR team, and relevant divisions work together organically to communicate effectively.

Specifically, the Company conducts quarterly briefings for analysts and institutional investors. In addition, the Company holds meetings in response to the needs of analysts and institutional investors.

For individual investors, the Company offers briefings as necessary and provides an explanation on the businesses and management plans on the Company website (\*1). The Company also conducts inspection tours of its facilities, mainly for individual investors.

Moreover, the Company prepares and releases publications such as annual reports, fact books, and CSR reports.

The Company provides opportunities for management to communicate with shareholders and investors, and as necessary provides feedback from shareholders and investors to management.

The Company has established a disclosure policy (\*2) concerning insider information (material information not yet made public) pursuant to its information disclosure rules and insider trading rules and has rules against transmitting insider information. The two-week period leading up to a results announcement is designated as a "quiet period" and no information is given out regarding the upcoming results announcement during this period.

(\*1) URL: <http://www.osakagas.co.jp/en/ir/index.html>

(\*2) URL: <http://www.osakagas.co.jp/en/ir/disclosure-policy/index.html>

**2. Capital Structure**

Foreign Shareholding Ratio	From 20% to less than 30%
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**[Status of Major Shareholders] (Updated)**

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	99,618,000	4.78
Nippon Life Insurance Company	96,212,921	4.62
Japan Trustee Services Bank, Ltd. (trust account)	90,328,000	4.34
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	69,929,401	3.36
Resona Bank, Limited	52,777,081	2.53
Japan Trustee Services Bank, Ltd. (trust account 5)	35,652,000	1.71
STATE STREET BANK WEST CLIENT-TREATY 505234	32,808,909	1.57
Japan Trustee Services Bank, Ltd. (trust account 9)	30,537,000	1.47
Aioi Nissay Dowa Insurance Co., Ltd.	29,865,919	1.43
Meiji Yasuda Life Insurance Company	29,191,305	1.40

Controlling Shareholder (except for Parent Company)	_____
Parent Company	None

**Supplementary Explanation (Updated)**

Above information on Status of Major Shareholders is based on the list as of March 31, 2017.

A change report made available for public viewing as of October 17, 2016 lists four companies: Bank of Tokyo-Mitsubishi UFJ, Ltd., Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. as holding 149,636,000

shares of the Company (7.18% of all outstanding shares) as of October 10, 2016. However, the Company was unable to confirm the number of shares with beneficial owners as of the end of the fiscal year under review.

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section, Nagoya Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Electric Power & Gas
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	Chairman of the Company (except when also serving as President)
Number of Directors	13
Appointment of Outside Directors	Yes
Number of Outside Directors	3
Of the Outside Directors, Number Appointed as Independent Officers	3

## Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Shunzo Morishita	From another company											
Hideo Miyahara	Academic											
Takayuki Sasaki	From another company											

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an officer

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

## Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Shunzo Morishita	○	None of a. through k. above are applicable.	The Company in principle selects candidates for directors from a diverse group of people taking their knowledge, experiences, abilities, and personalities etc. into account, and candidates for outside directors in particular are selected taking into account the independence they contribute to objective decision-making, as well as whether they have professional knowledge, sufficient experience, and a high level of expertise in their respective fields. Mr. Morishita has considerable experience and wide-ranging business insight as a

			former President and Representative Director of Nippon Telegraph and Telephone West Corporation, so the Company considers him qualified and has appointed him as an outside director. Further, because the Company has specified criteria for determining independence of outside officers, i.e., not having any special conflict of interest relationship with the Company impacting decision-making, and Mr. Morishita satisfies those criteria, the Company judges that he is adequately independent and that there is no concern that there will be a conflict of interest with general shareholders.
Hideo Miyahara	○	None of a. through k. above are applicable.	The Company in principle selects candidates for directors from a diverse group of people taking their knowledge, experiences, abilities, and personalities etc. into account, and candidates for outside directors in particular are selected taking into account the independence they contribute to objective decision-making, as well as whether they have professional knowledge, sufficient experience, and a high level of expertise in their respective fields. Mr. Miyahara has notable achievements in information technology and considerable experience in organizational management as a former president of Osaka University, so the Company considers him qualified as an outside director and has appointed him to serve. Further, because the Company has specified criteria for determining independence of outside officers, i.e., not having any special conflict of interest relationship with the Company impacting decision-making, and Mr. Miyahara satisfies those criteria, the Company judges that he is adequately independent and that there is no concern that there will be a conflict of interest with general shareholders.
Takayuki Sasaki	○	None of a. through k. above are applicable.	The Company in principle selects candidates for directors from a diverse group of people taking their knowledge, experiences, abilities, and personalities etc. into account, and candidates for outside directors in particular are selected taking into account the independence they contribute to objective decision-making, as well as whether they have professional

			<p>knowledge, sufficient experience, and a high level of expertise in their respective fields.</p> <p>Mr. Sasaki has ample experience and wide-ranging knowledge in management as a former president and chairman of the board of directors of the West Japan Railway Company, so the Company considers him qualified as an outside director and has appointed him to serve.</p> <p>Further, because the Company has specified criteria for determining independence of outside officers, i.e., not having any special conflict of interest relationship with the Company impacting decision-making, and Mr. Sasaki satisfies those criteria, the Company judges that he is adequately independent and that there is no concern that there will be a conflict of interest with general shareholders.</p>
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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#### Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Advisory Committee on Nominating Directors	Advisory Committee on Remuneration
All Committee Members	7	8
Full-time Members	0	0
Inside Directors	1	2
Outside Directors	3	3
Outside Experts	0	0
Other	3	3
Chairperson	Mutual Election	Mutual Election

#### Supplementary Explanation

The Company has voluntarily established advisory committees to discuss matters concerning the appointment of Directors/Audit & Supervisory Board Members as well as Director remuneration. The voluntary advisory committees are comprised of inside and outside members, with outside committee members being all of the outside officers (three outside Directors and the three outside Audit & Supervisory Board Members). The inside committee members are the Company president or if necessary persons designated by the President (the President may designate up to two members who are Representative Directors). The committee chairperson is



appointed by the committee members.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in the Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments (Updated)

The effectiveness and quality of auditing are improved through enhanced mutual cooperation by sharing information as necessary, including holding regular meetings concerning annual audit plans and audit reports. Further, the Head of the Audit Division and outside Officers (outside Audit & Supervisory Board Members and outside Directors) exchange opinions regarding the status of internal controls and risk management.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Yoko Kimura	Other													
Eiji Hatta	Academic													
Shigemi Sasaki	Academic													

\* Categories for "Relationship with the Company"

\* "○" when the person presently falls or has recently fallen under the category;

"△" when the person fell under the category in the past

\* "●" when a close relative of the person presently falls or has recently fallen under the category;

"▲" when a close relative of the person fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. Audit & Supervisory Board Member of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an officer
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
- k. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- m. Others

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Outside Audit & Supervisory Board Members' Relationship with the Company (2)

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Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Yoko Kimura	○	None of a. through m. above are applicable.	The Company in principle selects candidates for Audit & Supervisory Board Members from a diverse group of people taking their knowledge, experiences, abilities, and personalities etc. into account, and candidates for outside Audit & Supervisory Board Members in particular are selected taking into account the independence they contribute to objective decision-making, as well as whether they have professional knowledge, sufficient experience, and a high level of expertise in their respective fields. Ms. Kimura has considerable experience and professional knowledge, having served as a Professor at Nara Women's University, a council member of the Local Public Finance Council and the Executive Director of CLAIR (Council of Local Authorities for International Relations), so the Company considers her qualified as an outside Audit & Supervisory Board Member and she has been appointed to serve. Further, because the Company has specified criteria for determining independence of outside officers, i.e., not having any special conflict of interest relationship with the Company impacting decision-making, and

			Ms. Kimura satisfies those criteria, the Company judges that she is adequately independent and that there is no concern that there will be a conflict of interest with general shareholders.
Eiji Hatta	○	None of a. through m. above are applicable.	The Company in principle selects candidates for Audit & Supervisory Board Members from a diverse group of people taking their knowledge, experiences, abilities, and personalities etc. into account, and candidates for outside Audit & Supervisory Board Members in particular are selected taking into account the independence they contribute to objective decision-making, as well as whether they have professional knowledge, sufficient experience, and a high level of expertise in their respective fields. Mr. Hatta has an outstanding career as a Professor at Doshisha University (industrial organization theory and quantitative economics) and has considerable experience in organizational management as President of Doshisha University, so the Company considers him qualified as an outside Audit & Supervisory Board Member and has appointed him. Further, because the Company has specified criteria for determining independence of outside officers, i.e., not having any special conflict of interest relationship with the Company impacting decision-making, and Mr. Hatta satisfies those criteria, the Company judges that he is adequately independent and that there is no concern that there will be a conflict of interest with general shareholders.
Shigemi Sasaki	○	None of a. through m. above are applicable.	The Company in principle selects candidates for Audit & Supervisory Board Members from a diverse group of people taking their knowledge, experiences, abilities, and personalities etc. into account,

			and candidates for outside Audit & Supervisory Board Members in particular are selected taking into account the independence they contribute to objective decision-making, as well as whether they have professional knowledge, sufficient experience, and a high level of expertise in their respective fields. Mr. Sasaki has considerable experience and professional knowledge in law as president of the Takamatsu High Court and president of the Osaka High Court, so the Company considers him qualified as an outside Audit & Supervisory Board Member and has appointed him. Further, because the Company has specified criteria for determining independence of outside officers, i.e., not having any special conflict of interest relationship with the Company impacting decision-making, and Mr. Sasaki satisfies those criteria, the Company judges that he is adequately independent and that there is no concern that there will be a conflict of interest with general shareholders.
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#### [Independent Officers]

Number of Independent Officers	6
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#### Other Matters regarding Independent Officers

All outside officers of the Company (three outside Directors and three outside Audit & Supervisory Board Members) are appointed as independent officers.

The Company has established standards for determining the independence of its outside officers as follows.

1. The individual may not be an Executive Director, Director, Executive Officer, or employee ("business operator") of the Company or its affiliates ("Company Group") and may not have been a business operator of the Company Group for ten (10) years prior to being appointed.
2. The individual may not be a major vendor of the Company (\*1) or an executive thereof, and may not have been a business operator of the same for three (3) years prior.
3. The Director/Audit & Supervisory Board Member may not be a major client of the Company (\*2) or an executive thereof, and may not have been a business operator of the same for three (3) years prior.
4. The individual may not be a major shareholder (an individual or entity which owns 10% or more of the total voting rights of the Company, hereafter the same) or an executive thereof.
5. The individual may not be an executive of an entity for which the Company is a major shareholder.

6. The individual may not be receiving substantial donations (\*3) from the Company or be an executive for an entity receiving such donations.
7. In addition to remuneration as an Officer, the individual may not receive substantial remuneration (\*4) from the Company as a consultant, an accounting specialist such as a Certified Public Accountant, etc. or as a legal specialist such as an attorney, etc. (if the entity receiving the fees concerned is a corporation or a limited liability company, etc., any individual belonging to such an organization). The individual also may not be the Accounting Auditor of the Company Group.
8. If a business operator of the Company is an outside Officer of another company, the individual may not be an executive at the company concerned, the parent company or subsidiary of the company concerned.
9. The individual may not be a close relative (spouse or a relation in the second degree) of persons listed below:
- (a) Persons who are currently or have been a Director, Audit & Supervisory Board Member, Executive Officer or a key employee with an equivalent position ("Important Executive") for the Company Group within the past three years.
- (b) Of the persons in 2-6 above, those who are Important Executives.
- (c) Of the persons listed in 7 above, those who have professional licenses such as CPAs, attorneys, etc.
10. In addition to 1-9 above, individuals must not have issues that could cause constant and real conflicts of interest against the Company's general shareholders.
- \*1. Payment amount to vendor accounts for 2% of consolidated sales or more
- \*2. Received amount from client accounts for 2% of the Company Group's consolidated sales or more, or the loan balance outstanding is 2% of the Company Group's consolidated gross assets or more
- \*3. More than 10 million yen on average over the past three years
- \*4. The larger of more than 10 million yen on average over the past three years or an amount equivalent to 2% of total sales (total revenues) of the organization to which payment is made (three-year average)

Even if a person does not satisfy one of the criteria listed above in 1-10, if the individual otherwise qualifies as an independent Officer he/she may still become a Director/Audit & Supervisory Board Member by providing an explanation or disclosing the reasons why he/she does not fulfill a criterion.

## [Incentives]

Incentive Policies for Directors	Performance-linked remuneration system established
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## Supplementary Explanation (Updated)

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.

(\*1)The amount of remuneration for Outside Directors is fixed because they are in a position independent of the execution of the Company's businesses.

(\*2)Directors, except Outside Directors, purchase the Company's shares through officers' shareholding association, to which they contribute a certain amount of money from their monthly remuneration.

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

Recipients of Stock Options	
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Supplementary Explanation
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#### [Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation(Updated)
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Remuneration paid to Directors in FY2016 reached 542 million yen (however, this includes remuneration for the four Directors who resigned as of the end of the 198th regularly scheduled Shareholders Meeting held on June 29, 2016).
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Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods (Updated)
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<p>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 &amp; 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.</p> <p>(*1)The amount of remuneration for Outside Directors is fixed because they are in a position independent of the execution of the Company's businesses.</p> <p>(*2)Directors, except Outside Directors, purchase the Company's shares through officers' shareholding association, to which they contribute a certain amount of money from their monthly remuneration.</p> <p>The system of paying retirement benefits to Directors and Audit &amp; Supervisory Board Members has been abolished.</p>
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#### [Support System for Outside Directors and/or Audit & Supervisory Board Members]

Outside Directors are assisted by the Secretariat Department and outside Audit & Supervisory Board Members by the office of Audit & Supervisory Board. To deepen their overall knowledge of the Company, opportunities are provided so that information can be provided in a timely and appropriate manner to outside Directors and Audit & Supervisory Board Members.
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## 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) (Updated)

### (1) Corporate Governance System of the Company

The Company has selected to be a company with Audit & Supervisory Board and adopted an executive officer system. The Corporate governance system of the Company is as follows.

#### a. 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. The Articles of Incorporation stipulate that there shall be no more than 15 Directors. They also direct that appointment of Directors is to take place with a quorum of shareholders possessing at least one-third of shareholder voting rights and by a majority of voting rights held by shareholders present, and that no cumulative voting may be used for appointing Directors.

#### b. Executive Officers

The Company has adopted an executive officer system (executive officers are the Executive President, Executive Vice Presidents, Senior Executive Officers, and Executive Officers), which enables the Directors of the Company to focus on making business decision and monitoring and supervisory functions, and worked toward strengthening the business efficiency and the supervisory functions by vitalizing 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.

#### c. Management Meeting

The Company examines basic management policies and important management issues at the management meeting and fully deliberates the foregoing before decision-making. In accordance with internal regulations, the management meeting consists of the President, Executive Vice President, Senior Executive Officer, Head of Corporate Headquarters, and Head of Business Division. In principle, three times per year management meetings are held as “CSR Promotion Meetings”, which deliberate on plans for CSR activities and make report on CSR activities.

#### d. Audit & Supervisory Board, Audit & Supervisory Board Members

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.

#### e. Audit Division

The Company established the Audit Division as an internal audit division, and from an independent and objective standpoint based on annual audit plans and the like, it evaluates operational practices' compliance with standards and efficiency and the appropriateness of systems and standards and identifies issues to provide suggestions and follow-ups towards improved operations of audited bodies and shares audit results with the Management Meeting. The Audit Division aims to maintain and improve the quality of audit operations, such as by undergoing regular external evaluations.

#### f. Advisory Committee

To maintain objectivity and achieve transparency, the matters relating to the nomination of Directors/Audit & Supervisory Board Members and the remuneration amounts for Directors are deliberated at a voluntary advisory committee made up of a majority of outside Officers before decision is made. The 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 President and if necessary, persons appointed by the President (the President may appoint up to two members who are Representative Directors). The committee chairperson is appointed by the committee members.

#### g. CSR Committee

The Company has established the CSR Committee to coordinate and advance group-wide CSR activities,

which is chaired by the “CSR Executive”, who is the officer in charge of overseeing the Group’s CSR activities, and is composed of the General Managers of relevant divisions. The CSR Committee promotes information security, risk management and other aspects of the Company’s CSR activities.

**h. Investment Evaluation Committee**

The Company has established the Investment Evaluation Committee, which is chaired by the Head of the Corporate Planning Headquarters and composed of the General Managers of relevant divisions. The committee examines risk and return and makes an evaluation on investments exceeding a certain amount, and it reports findings to the management meeting and assists appropriate investment decisions.

**(2) Matters relating to outside Directors (roles and functions of outside directors)**

Based on their own experience and insights in their respective fields, each outside Director plays a role in decision-making as a member of the Board of Directors and monitors and supervises the execution of work duties of the executive Directors from an independent viewpoint.

**(3) Initiatives for bolstering the functions of the Audit & Supervisory Board Members**

The Company selects three outside Audit & Supervisory Board Members, who monitor the execution of work duties of the Directors from an independent viewpoint and strive to raise the effectiveness and quality of auditing by sharing information as necessary by holding regular meetings concerning annual audit plans and audit reports. Office of Audit & Supervisory Board with a dedicated full-time staff which is not under the direct control of the executive Directors has been established to support the Audit & Supervisory Board Members’ auditing work and thus improve the auditing system.

The Audit Division, Audit & Supervisory Board Members, and accounting auditors share information from time to time as necessary, including regular meetings on annual audit plans and audit reports, among other things, thereby working to enhance coordination and ensure the efficacy and quality of audits. Further, the Head of the Audit Division and outside Officers (outside Audit & Supervisory Board Members and outside Directors) exchange opinions regarding the status of internal controls and risk management.

**(4) Policies on Deciding Remuneration for Officers**

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.

(\*1)The amount of remuneration for Outside Directors is fixed because they are in a position independent of the execution of the Company’s businesses.

(\*2)Directors, except Outside Directors, purchase the Company’s shares through officers’ shareholding association, to which they contribute a certain amount of money from their monthly remuneration.

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.

**(5) Policies on selecting candidates for Directors and Audit & Supervisory Board Members**

To attain sustainable growth and improve medium and long-term corporate value, 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.

Based on this, when selecting, the Company takes into consideration expertise in managing the Group's energy business and other businesses for internal Director candidates and the individual's independent-mindedness for making objective judgments, and whether they have wide-ranging knowledge, wealth of experience, and expertise in their specialized fields for external Director candidates.

In selecting candidates for Directors and Audit & Supervisory Board Members, the Company makes a decision based on the deliberation of a voluntary advisory committee in which external Officers comprise a majority from the standpoint of securing objectivity and transparency of the decision-making process (the composition of the voluntary advisory committee is the same as the remuneration advisory committee.)

### 3. Reasons for Adoption of Current Corporate Governance System

The Company considers its current governance system best suited in order to respond swiftly to changes in the Group's business environment, make transparent, fair and decisive decisions, and implement efficient and appropriate actions. The reasons are as follows:

- The Company has adopted an executive officer system, which enables the Directors of the Company to focus on making business decision and monitoring and supervisory functions, and worked toward strengthening the business efficiency and the supervisory functions by vitalizing the Board of Directors.
- The Company has appointed several outside directors, who monitor and supervise the execution of work duties of the executive Directors from an independent viewpoint, and outside Audit & Supervisory Board Members, who monitor the execution of work duties of the Directors from an independent viewpoint.
- To maintain objectivity and achieve transparency, the matters relating to the nomination of Directors/Audit & Supervisory Board Members and the remuneration amounts for Directors are deliberated at a voluntary advisory committee made up of a majority of outside Officers before decision is made.

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

In conjunction with full compliance

	Supplementary Explanations
Early Notification of General Shareholder Meeting	To allow shareholders time to carefully consider proposed resolutions, the Company 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, on the electronic voting platform for institutional investors operated by ICJ, Inc., and on the Company's website.
Allowing Electronic Exercise of Voting Rights	The Company has adopted an electronic voting system in which voting rights can be exercised electronically over the Internet, etc.
Participation in Electronic Voting Platform	The Company participates in the electronic voting platform for institutional investors operated by ICJ, Inc.
Providing Convocation Notice in English	The Company prepares English translations of its convocation notices (entire text), and before sending out the notices, the Company discloses them on the website of the Tokyo Stock Exchange, on the electronic voting platform for institutional investors operated by ICJ, Inc., and on the Company's website.
Other	Convocation notices, resolution notices and extraordinary reports related to the exercise of voting rights (both in Japanese and English) are listed on the Company's website.

## 2. IR Activities(Updated)

	Supplementary Explanations	Briefing given by President
Preparation and Publication of Disclosure Policy	The Company's Disclosure Policy has been prepared and can be accessed on the Company's website ( <a href="http://www.osakagas.co.jp/en/ir/disclosure-policy/index.html">http://www.osakagas.co.jp/en/ir/disclosure-policy/index.html</a> ).	
Regular Investor Briefings for Individual Investors	Briefings for individual investors are held as a part of the events sponsored by securities companies, such as equities investment seminars.	No
Regular Investor Briefings for Analysts and Institutional Investors	Briefings for analysts and institutional investors are held twice per year when announcing financial results for the second and fourth quarters, respectively.	Yes
Posting of IR Materials on Website	Earnings results, financial information, business reports, securities reports, annual reports, fact books, and other corporate data are accessible via the Internet ( <a href="http://www.osakagas.co.jp/en/ir/index.html">http://www.osakagas.co.jp/en/ir/index.html</a> ).	
Establishment of Department and/or Manager in Charge of IR	<ul style="list-style-type: none"> <li>● Responsibility for IR: Planning Department, Corporate Planning HQ</li> <li>● IR director: Masataka Fujiwara (Representative Director, Executive Vice-President, President of Corporate Planning Headquarters)</li> <li>● IR liaison officer: Toru Uda (IR General Manager, Corporate Planning HQ)</li> </ul>	
Other	Regular briefing sessions are not held for overseas investors, but Representative Directors occasionally visit overseas investors to explain corporate strategies, etc.	Yes

## 3. Measures to Ensure Due Respect for Stakeholders(Updated)

### Supplementary Explanation

#### Stipulation of Internal Rules for Respecting the Position of Stakeholders

In order to contribute to the sustainable growth of our society with the business partners in its domestic and overseas supply chain, the Osaka Gas Group has formulated its management philosophy, the "Osaka Gas Group CSR Charter" and "Osaka Gas Group Code of Conduct" to improve the level of CSR of the entire group through communication with stakeholders.

#### (1) Osaka Gas Group's Management Philosophy

The Group gives top priority to create value for customers by placing the Company's motto "Service comes first" as the core belief behind its business activities and by striving to become a useful in enhancing the lives and businesses of its customers. The Osaka Gas Group pursues its management philosophy of "Creating Four Values" in which it endeavors to create value for its customers and thereby build social value, shareholder value and value for its employees. (Please refer to the Company's home page for details: <http://www.osakagas.co.jp/en/ir/manage/brand/index.html>)

#### (2) Osaka Gas Group CSR Charter

The Osaka Gas Group's business policy is to seek foremost to create value for its customers and thereby build social value, shareholder value and value for its employees. The Group believes that creating these Four Values by engaging in fair and transparent business activities results in fulfilling its CSR (corporate social responsibilities).

In order to fulfill its stakeholders' expectations, to fulfill its corporate social responsibility, and for Osaka Gas Group to seek sustainable growth, the Group has established the "Osaka Gas Group CSR Charter" as the action guideline for its Officers and employees.

Top management and each section's managers set an example and endeavor to implement the Charter. If any violation of laws and regulations or other problems occur, top management and section managers shall directly resolve such problems and take strict corrective actions.

The Charter consists of the following chapters.

Chapter I. Creating Value for Customers

The Osaka Gas Group is to contribute to realization of higher levels of comfort and development of business activities for its customers through reliable and safe supply of natural gas and other energy services, securement of safety, and improvement of services. By providing socially useful products, we also challenge to create new value and seek to become a corporate group keep growing together with our customers.

Chapter II. Harmonizing with the Environment and Contributing to a Sustainable Society

Environmental preservation both at the regional and global levels is of paramount importance for the Osaka Gas Group which is primarily engaged in energy services. The Osaka Gas Group is aware that its activities are deeply involved in the environment and seeks contribute to the sustainable growth of our society by harmonizing its business activities with the environment and realizing efficient utilization of energy resources.

Chapter III. Communicating with Society and Contributing to Society

The Osaka Gas Group proactively discloses information so that its business activities are correctly understood by society, and promotes communication as well as improved managerial transparency. In addition, the Group will strive to contribute to the communities it serves as a good corporate citizen.

Chapter IV. Promoting Compliance and Respect for Human Rights

The Osaka Gas Group looks to be a trustworthy, upstanding industry group by having every Officer and employee carry out compliance without fail. The Group's perspective is that compliance goes beyond legal compliance, however, and includes decent conduct expected of all citizens. Accordingly, the Group intends to respect human rights and work to maintain equitable relationships with our customers, business partners, and other persons.

Chapter V. Corporate Management with the Goal of Human Growth

The Osaka Gas Group strives to become an enterprise that can realize the personal growth of its employees through work by ensuring employment opportunities and by respecting employees' individuality and initiatives. In order to create new value for customers, shareholders and society, the Group intends to support its employees as they take on the challenge to carry out their work with a sense of purpose.

(Please refer to the Group's home page at [http://www.osakagas.co.jp/csr\\_e/beginning/csr\\_charter.html](http://www.osakagas.co.jp/csr_e/beginning/csr_charter.html))

(3) Osaka Gas Group Code of Conduct

The Osaka Gas Group believes that implementing thorough compliance is the most important element of fulfilling its CSR and has thus formulated the Osaka Gas Group Code of Conduct as a standard for all Group companies on the conduct that the Group's officers and employees must exhibit. The Code of Conduct is to be used as a basic template when Group companies create rules. As necessary, the main Code of Conduct is incorporated into the in-house rules and manuals so that the spirit of the Code becomes integrated with daily operations. The Code has also been revised to reflect the principles of global guidelines such as the UN Global Compact and ISO 26000.

(Please refer the Company website: [http://www.osakagas.co.jp/csr\\_e/beginning/principles.html](http://www.osakagas.co.jp/csr_e/beginning/principles.html))

Reference: The Essence of the Osaka Gas Group Code of Conduct

- a. The Group will create a workplace where human rights are respected and employees can work in comfort and with peace of mind.
- b. The Group will comply with the laws and regulations and exhibit decency while engaging in business activities.
- c. In conducting global business activities, the Group will comply with all local laws and regulations, and will respect international norms including those concerning human rights.

- d. The Group will consider the global environment in all of its actions.
- e. The Group will engage in fair business transactions and fair competition.
- f. The Group will provide safe and high-quality products/services at reasonable prices, with the aim of enhancing customer satisfaction.
- g. The Group will act modestly and sensibly in its relationships with vendors and business partners with which it engages in business.
- h. The Group will appropriately handle and disclose information with proper recognition of its value and importance.
- i. The Group will refuse any relationship with anti-social forces.
- j. The Group will make appropriate tax payments and properly handle its financial accounts.

The ethos of the above-mentioned Management Philosophy, CSR Charter, Code of Conduct is incorporated into the policies and rules of every aspect of the Group's business procedures and strictly enforced.

#### Implementation of Environmental Preservation Activities, CSR Activities, etc.

The Group aims to become a corporate group supporting further improvement in lives and businesses and reflect awareness of social impact throughout Osaka Gas Group's value chain into its business activities. The Group has established the CSR Promotion Council, consisting of Officers, which deliberates CSR plans and CSR activity reports under the supervision of the President of Osaka Gas and the CSR Committee, consisting of the heads of business units, coordinates and advances Group-wide CSR activities chaired by the CSR Officer governing Osaka Gas Group's CSR activities to perform appropriate and active activities and also has created an opportunity for dialogue with internal and external stakeholders from time to time depending on the topic to enable flexible and appropriate responses to the demands of society.

(CSR Organization: [http://www.osakagas.co.jp/csr\\_e/beginning/system.html](http://www.osakagas.co.jp/csr_e/beginning/system.html))

The Osaka Gas Group is promoting its CSR activities based on the CSR Charter, establishing policies, structures, and indicators. Comprehensive information on those efforts is disclosed on our website.

(Osaka Gas Group's CSR site: [http://www.osakagas.co.jp/csr\\_e/index.html](http://www.osakagas.co.jp/csr_e/index.html))

Major activities are as follows

#### CSR Overall

- Disclosure of CSR information referencing international guidelines; CSR efforts throughout the value chain

#### Chapter I

- Efforts for stable supply of raw materials, promoting safety measures for manufacturing and supply, outfitting a wide-ranging pipeline network, promoting widespread adoption of devices and services for safe use, efforts based on customer feedback, efforts toward multi-energy business, such as electricity business, and solar and wind power generation business.

#### Chapter II

- Cutting emissions of greenhouse gases, promoting gas cogeneration systems, etc., contribution to customers' carbon dioxide restrictions, reducing consumption of resources and promoting use of renewable resources, addressing environmental risks, promoting green sales and green distribution, efforts toward new environmental technology, and preservation of biodiversity.

#### Chapter III

- Activities with "Chiisana Akari", collaborative activities with entrepreneurs and NPOs aiming to solve social issues, contribution to Kansai culture, and providing support to educators, the next generation and to parents through nutrition and fire safety education and disaster preparedness education.

#### Chapter IV

- Appropriate operation of Compliance Desk (hotline), efforts for improvement of corporate ethics through Case-method Training Programs, among other things, promotion of global compliance associated with overseas business development, human rights training and other efforts to increase human rights awareness, and efforts to protect personal information.

## Chapter V

- Promoting diversity, promoting work-life balance, efforts in human resource development, prevention of work accidents, and promoting sustained health.

Details on stakeholders engagement efforts through volunteer activities, educational activities on nutrition and local development via sports, progress on efforts to improve business efficiency, efforts to improve customer satisfaction, environmental efforts, safety and disaster prevention, and information on technical development are disclosed on the Group's various websites.

(Osaka Gas Group's involvement: [http://www.osakagas.co.jp/csr\\_e/index.html](http://www.osakagas.co.jp/csr_e/index.html))

## Formulation of Policies on Providing Information to Stakeholders

The Osaka Gas Group Code of Conduct includes a provision concerning information disclosure, stating that the Group must work toward disclosing information in an appropriate and timely manner and that the Group must promote communication with society at large. "Rules for Information Disclosure" was formulated based on this article in the Code of Conduct and specify the organizations responsible for information disclosure, and requires improved transparency as well as active disclosure of information that must be disclosed.

Information that must be announced in a timely manner is accordingly disclosed via press release, while quarterly and annual reports are disclosed as booklets or on the Group's website.

The Osaka Gas Group's CSR reports – created by referring to the Sustainability Reporting Guidelines (issued by the Global Reporting Initiative) and the Environmental Reporting Guidelines (Ministry of the Environment) – are disclosed on the website as well. The brochure version is accessible via an external distribution service so they can easily be obtained.

## Other

<Policy and efforts supporting female employees to play active roles>

Since implementing its childcare leave and eldercare leave system in 1992, Osaka Gas has been making efforts to create a better working environment which promotes a work-life balance for its employees even before the Act on Advancement of Measures to Support Raising Next-Generation Children was implemented. The levels at the Company exceed the legal requirements, and in recognition of its efforts the Company was recognized by the Minister of Labour in 2001 as a "Family Friendly Company". The Company has submitted an action plan four times since 2007 in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children, and the Minister of Health, Labour and Welfare has certified Osaka Gas as a company with "Kurumin Mark". With few female employees resigning due to childbirth or childrearing because of the Company's merit-based system and its initiatives to expand the work field for female employees, the average length of service for male and female employees in FY2016 are almost the same at 18.7 years and 21.8 years, respectively.

In 2010, Osaka Gas, with its six affiliated companies, endorsed and expressed their support for the objectives of the Women's Empowerment Principles (WEPs) and established the Diversity Promotion Team in the Human Resources Department in 2013. In March 2014, the Group has announced the Osaka Gas Group Diversity Promotion Policy with its goal to aid female employees to achieve successful careers, the Team has been working to diversify the workforce, raising awareness and promoting its "Smart Work" initiatives to create a work environment in which a diverse workforce can achieve success. The Company's involvement in diversity issues have been recognized, as Osaka Gas was selected in 2014 as one of the "one hundred diversity promotion companies" (in which the Minister of Economy, Trade and Industry recognizes companies that promoted diversity while increasing corporate value). Osaka Gas has also been selected as a "Nadeshiko stock" for four consecutive years since 2013.

The Company is aiming to maintain the ratio of career-path employees at above 30% for female employees, make female employees account for 5% of the managerial staff by 2020, and to appoint female Officers at an early date. The Company also formulated an action plan and is proceeding with efforts pursuant to the Act on Promotion of Women's Participation and Advancement in the Workplace. While 15% of female employees were career-track employees in FY2004, this figure reached 22.9% in FY2017, and whereas women accounted for only 0.3% of management in FY2004, the figure reached 3.8% (including two division general managers)

in FY2017. One female Officer has been appointed as an outside Audit & Supervisory Board Member.

(See the Company's website for details: [http://www.osakagas.co.jp/csr\\_e/beginning/diversity\\_policy.html](http://www.osakagas.co.jp/csr_e/beginning/diversity_policy.html))

#### IV. Matters Related to the Internal Control System

##### 1. Basic Views on Internal Control System and the Progress of System Development(Updated)

###### (1)Description of Internal Control Systems

The Company establishes systems (internal control systems) to ensure that 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 at meeting of the Board of Directors, and such systems are briefly described below.

###### ( i ) Systems to ensure that the execution of the duties complies with the laws and regulations and the Articles of Incorporation

a.Directors and employees of the Group shall sufficiently acquire and investigate information as the basis to execute the duties and through accurate understanding of the facts, make reasonable decisions in accordance with regulations on responsibilities and authorities.

b. For the Board of Directors to make appropriate decisions and enhance its supervisory role, executive directors shall retain independent outside officers. In addition, the executive officer system shall be adopted to enhance the Board of Directors' supervisory role and ensure efficiency in the execution of duties.

c. Executive directors shall hold management meetings to provide information to the president and the Board of Directors to assist in the decision-making process and discuss strategies and important matters concerning its management of the business.

d. Executive directors shall establish the "Osaka Gas Group Code of Business Conduct" based on "Osaka Gas Group CSR Charter." By familiarizing the directors and employees with the Code, executive directors shall not only ensure the performance of duties in compliance with applicable laws and regulations and the Articles of Incorporation within the Group but also promote business activities in a fair and appropriate manner, which includes contributing to the preservation of the environment, promoting social contribution activities and dissociating from antisocial forces.

e. Executive directors shall make efforts to understand the status concerning compliance within the Group and promote compliance practices by establishing a consulting and reporting system as an internal reporting system and a CSR committee.

f. If any problems are discovered regarding compliance within the Group, Directors and employees of the Group are required to consult with or report to an executive director or other superior, or report the matter via the consulting and reporting system depending on the level of seriousness or urgency. Executive directors, General Manager of Compliance Dept. or other superiors shall investigate details of such matter and take necessary remedial measures.

###### ( ii ) System concerning the maintenance and the management of information on execution of duties

a. Executive directors and employees of the Group shall prepare minutes of the meetings of the Board of Directors, approval documents or other similar documents specifying matters including matters affecting decisions and the process by which a decision was reached, in accordance with regulations on responsibilities and authorities.

b. Executive directors and employees of the Group shall properly store and manage the minutes of the meetings of the Board of Directors, approval documents or other information on execution of duties according to the nature thereof.

###### ( iii ).Regulations and other systems to manage the risk of losses

a. Executive directors shall take all possible steps to ensure the safety and stability of gas supplies in gas businesses by establishing safety regulations on matters concerning the construction, maintenance and operation of production and supply facilities, and by promoting the improvement of the production and supply systems.

b. Executive directors of the Group and organizational heads of the Company (managers of basic

organizations of the Company) shall take measures to prevent the occurrence of risks and minimize losses in the case of occurrence, and manage the risk of losses for each category of risk (risks due to external factors, internal factors, transactions with outside parties or other factors).

c. The risk of losses shall be managed at the level of each basic organization and each affiliated company.

d. The emergencies that might have a material impact on the management of the Group shall be addressed according to the regulations on disaster countermeasures and business contingency plans.

(iv) Systems to ensure the efficient execution of duties

a. Executive directors of the Group and organizational heads of the Company shall determine matters concerning the division of duties and decision-making within the Company and the Group in accordance with regulations on responsibilities and authorities. They shall also provide regulations regarding details of organizations and general matters to be observed during the execution of duties. By familiarizing employees with such regulations, they shall ensure the smooth management of organizations and the improvement of quality and efficiency of operations.

b. With the aim of maximizing corporate value, executive directors of the Group and organizational heads of the Company shall establish medium-term business plans and annual plans for the Company and the Group, monitor its attainment by means of performance indicators and focus on achieving these plans.

(v) Other systems to ensure the properness of business operations

In addition to the above, executive directors shall take the following measures and make efforts to ensure proper operations.

a. Companies to play a central role in each business area of the Group (core companies) or basic organizations to supervise affiliated companies (management support organizations) shall be designated to be responsible for day-to-day management of affiliated companies.

b. Compliance with applicable laws and regulations and the Articles of Incorporation, the efficiency and other similar matters of the Group as a whole shall be audited internally by the head of the Auditing Department of the Company. If necessary in light of the results of such audit, remedial measures shall be taken promptly.

c. Internal control procedures shall be maintained, operated and evaluated in relation to financial reporting to ensure its credibility.

(vi) Matters concerning employees assisting Audit & Supervisory Board Members in the performance of their duties

a. Executive directors, if requested by the Audit & Supervisory Board Members, shall appoint employees to assist the Audit & Supervisory Board Members in the performance of their duties and establish an office of Audit & Supervisory Board staffed by these Audit & Supervisory Board Members' assistants.

b. Audit & Supervisory Board Members' assistants shall be engaged solely in assisting the Audit & Supervisory Board Members in the performance of their duties.

(vii) Matters concerning independence of Audit & Supervisory Board Members' assistants from Directors

a. Executive directors cannot direct or give orders to Audit & Supervisory Board Members' assistants except where such directions or orders apply equally to all employees.

b. The opinions of the Audit & Supervisory Board Members regarding the evaluation, transfer, etc., of Audit & Supervisory Board Members' assistants shall be sought in advance and respected.

(viii) Systems for reporting to the Audit & Supervisory Board Members

a. Directors shall report immediately to the Audit & Supervisory Board Members if a matter that is significantly detrimental to the Company is discovered.

b. Directors and employees of the Group or auditors of the affiliated companies shall report without delay matters that have a material impact on the business of the Group, the results of internal audits, the situation regarding the main reports under the consulting and reporting system and other important matters.

c. Directors of the Group and employees of the Company shall report without delay when requested by the Audit & Supervisory Board Members to report on matters concerning the execution of duties.

d. Executive directors and other supervisors of the Group shall not disadvantageously treat any person who reports to the Audit & Supervisory Board Members according to the preceding items for the reason that such report was made.



(ix) Other systems to ensure effective auditing by the Audit & Supervisory Board Members

- a. The Audit & Supervisory Board Members may exchange opinions periodically with the Representative Directors and the accounting auditor.
- b. The Audit & Supervisory Board Members may attend management meetings and all company committee meetings. They may investigate as appropriate material information concerning the execution of duties, such as approval documents.
- c. Executive directors shall ensure the Company provides the expenses or liabilities necessary for the execution of the duties of the Audit & Supervisory Board Members.

(x) Confirmation of operation status, etc.

- a. Executive directors shall periodically confirm and assess the status of the operation of the internal control system and report the results to the Board of Directors.
- b. Executive directors shall take necessary measures by taking into consideration the assessment results of internal control system and other situations.

## (2) Operating Status of the Internal Control Systems

The Company confirms the operating status of the internal control systems on a periodic basis by identifying items to confirm for various matters and receiving reports from the organizational heads and other persons concerned. At the meeting of the Board of Directors held on April 26, 2017, it was reported that the internal control systems were operating in a proper manner.

The operating status of the internal control systems during the fiscal year under review is described in the following.

### (i) Matters concerning compliance

The CSR Committee has been promoting CSR activities through the “Compliance Subcommittee,” the “Environment Subcommittee,” “Social Contribution Subcommittee,” “Information Security Subcommittee” and “Risk Management Subcommittee” during the fiscal year under review.

Educational materials, including a guide to the “Osaka Gas Group Code of Business Conduct,” are posted on the intranet at all times to familiarize Directors and employees of the Group with said Code to promote and ensure its understanding thereof.

In addition, to promote further understanding and effective use of the consulting and reporting system for employees as an internal reporting system, detailed explanations of how to use the system are provided on the intranet through Q&As, model cases and other means.

### (ii) Matters concerning risk management

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 identifies risk items, checks the status of management concerning the risk items and conducts follow-ups or other measures by using such means as the “G-RIMS (Gas Group Risk Management System),” which systematizes the self-assessment of risk management practices. During the fiscal year under review, the Risk Management Subcommittee was set up within the CSR Committee to reinforce efforts to promote risk management across the Group. 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. During the fiscal year under review, revisions were made to the regulations for disaster countermeasures to reflect changes in the system for gas business operations and systems in response to crises occurring overseas were reinforced.

### (iii) Matters concerning the management of businesses in the Group

The affiliated companies to be managed by the core companies or the management support organizations are designated and their managerial tasks are monitored by receiving reports on important issues from the affiliated companies. In addition, day-to-day management of those affiliated companies is performed by



using the G-RIMS and/or conducting audits.

The Company's Auditing Department, which conducts internal audits, implements planned internal audits of the Company's organizations and the affiliated companies and provides follow-up audits after a certain period of time.

(iv) Matters concerning the effectiveness of audits by Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Members have periodic exchanges of opinion with the Representative Director and Chairman, the Representative Director and President and the accounting auditor, in which Outside Audit & Supervisory Board Members also participate as necessary. Partly through the opportunity to exchange opinions with the accounting auditor, Audit & Supervisory Board Members evaluate the qualifications, expertise and independence of the accounting auditor.

Full-time Audit & Supervisory Board Members attend important meetings such as the Management Meeting, the CSR Committee, the Investment Evaluation Committee, etc., and read approval documents and other important documents. Through a Board of Directors' resolution on the internal control systems, they also clarify important matters to be reported to Audit & Supervisory Board Members and disseminate information thereof.

Four assistants to Audit & Supervisory Board Members are in place to engage solely in assisting Audit & Supervisory Board Members in the performance of their duties.

## 2. Basic Views on Eliminating Anti-Social Forces

The Company sets forth a principle in its Osaka Gas Group Code of Conducts that any business transaction with or supply of profits to anti-social forces, for any reason, is unjustifiable and absolutely forbidden and shall cause officers and employees to comply with such principle by making them thoroughly aware each year on a regular basis. The following is a list of those measures structures implemented.

- The General Affairs Dept. is responsible as the supervisory department, and a person in charge of preventing undue claims is appointed in every relevant organization.
- Preparing for emergencies, the Company cooperates with outside agencies specializing in anti-social forces (including police departments) and engages in information exchange.
- Information regarding anti-social forces are collected and appropriately shared within the Company.
- The Company is appropriately implementing awareness-raising efforts including preparing manuals and conducting in-house training.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation
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### 2. Other Matters Concerning Corporate Governance System

Following is an outline of the Company's structure for timely information disclosure.

(1) Basic policy on disclosure of corporate information

The Group's management philosophy calls for the Company to work toward achieving fairness and transparency in its business activities and to improve its system for disclosing corporate information.

(2) Increasing awareness and enforcing rules on handling and disclosing information

The Company has established information handling and disclosure standards which the Group's Directors and employees must follow. Also, internal rules are in place for handling important business information related to insider trading regulations. The Company moreover has internal rules regarding information management and disclosure, and is working to make timely disclosure of information concerning the Company's business, operations, and performance which may have a material effect on equities investment decisions.

(3) Comprehending and managing corporate information

Each head of the organizational unit (the chief executive if an affiliate company) appropriately comprehends and manages corporate information. The status of information management is inspected regularly by each organizational head (chief executive if an affiliate company).

(4) Disclosure of corporate information

The head of each organizational unit (the head of the affiliate's business support organization or the core affiliated company's president if an affiliated company) that manages corporate information shall make decisions on disclosing information by considering the safety and interests of customers, vendors, employees, interests of shareholders, and social demands for disclosure and after consulting with the General Manager of the Corporate Communications Department. Regarding important information of the corporate information, disclosure decisions shall be made by the Director, Headquarters General Manager or Business Division General Manager responsible for the organizations (in case of affiliates, the Director, Headquarters General Manager or Business Division General Manager in charge or the President presidents of the core affiliate). For especially important information including resolutions of the Board of Directors, the President/Representative Director of the Company shall make the decisions on disclosure.

(5) Voluntary audits examining the status of corporate information disclosure

The heads of organizational units who manage corporate information (for affiliates, the head of the business support organization or the core affiliate company's President to which the business support organization belongs) conducts periodic evaluations and inspections on the status of information disclosure. The General Manager of the Public Affairs Department, who is responsible for planning and promoting corporate information disclosure requests the heads concerned to report the results of the voluntary audits and requests that improvements be made based on the results.

(6) Decision-making system for timely information disclosure

Decisions on timely disclosure of corporate information are made by the head of the relevant organizational unit (for affiliates, the head of the business support organization or the core affiliate company's President to which the business support organization belongs) in consultation with the General Manager of the Public Affairs Department as needed. For corporate information required to be disclosed, the General Manager of the Public Affairs Department issues a press release and simultaneously gives directions to the General Manager of the General Affairs Department to immediately notify the stock exchanges in Tokyo and Nagoya where the Company's shares are listed.

Advisory  
Committee  
(¥2)  
(nomination  
and remuneration)

