

These are painted by children who are learning designing at an NPO "Children Design Education."

▶ <http://c0d0e.com/english/index.html>

2015

OSAKA GAS GROUP

CSR REPORT



Osaka Gas Co., Ltd.
 4-1-2, Hiranomachi, Chuo-ku,
 Osaka 541-0046, Japan
 For inquiries, contact the CSR & Environment
 Department on +81-6-6205-4833
<http://www.osakagas.co.jp/en/index.html>



Notes about CSR Report 2015

The Osaka Gas Group reports material aspects of its CSR and its management scheme as well as associated activities for improvement.

The Osaka Gas Group deems that it is necessary for the Group to listen to people's voices sincerely and conduct its business activities based on such voices, if it is to fulfill its corporate social responsibility (CSR).

The Osaka Gas Group identified important aspects for the Group's CSR, which we call "materiality" or "material aspect," by referring to the fourth edition of the Sustainability Reporting Guidelines (G4)—international guidelines being used in the course of preparing a sustainability report—while taking into account the current social situation and continuing dialog with stakeholders and experts in certain fields.

In this report, the identified material aspects will be categorized in line with each of the five charters set under the "Osaka Gas Group CSR Charter." The Group will then prepare reports on the management situation regarding each material aspect and the degree of implementation of relevant measures. The Group will disclose as much as possible about activities other than those related to the material aspects so that a full picture of the Group's CSR is made known to parties outside the Group.



[Scope of This Report]

This report covers the Osaka Gas Group consisting of Osaka Gas Co., Ltd. and its affiliated companies. Some information, as noted in this report by phrases such as "Osaka Gas" or "the company," refers exclusively to Osaka Gas Co., Ltd.

Environmental performance data represents Osaka Gas and 74 affiliated companies. Overseas and tenant locations where it is difficult to collect data are not included. While the most recent data covered in this report represents FY2015 (from April 1, 2014 to March 31, 2015), some articles refer to efforts for FY2016.

Guidelines Referred to

- ISO 26000
- Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI)
- Environmental Reporting Guidelines 2012 of the Ministry of the Environment
- The United Nations Global Compact COP Policy

COP: Communication on Progress

Index

03	Outline of the Osaka Gas Group
05	The President's Commitment
Management and CSR of the Osaka Gas Group	
07	Seeking Further Evolution in Quality of Life and Business
11	Corporate Governance
13	CSR Management
15	Important Aspects (Materiality) for the Osaka Gas Group
17	Key Performance Indicators
19	CSR Efforts Throughout City Gas Value Chain
Materiality: Supplier Environmental Assessment, Supplier Assessment for Impacts on Society, Supplier Human Rights Assessment, Supplier Assessment for Labor Practices	

Major Activities in FY2015

23	CSR Charter I Creating Value for Customers
Materiality: Customer Health and Safety, Product and Service Labeling (Activity examples) - Gas safety service using smartphones and cellphones - Positioning the electricity business as the second most important business after the gas business	
29	CSR Charter II Harmonizing with the Environment and Contributing to Realizing a Sustainable Society
Materiality: Energy, Emissions, Effluents and Waste, Environmental Grievance Mechanisms (Activity examples) - Environmentally-friendly new LNG tanker put into service - Use of a weather simulation model to forecast energy demand and support operations of renewable energy systems	
37	CSR Charter III Being a Good Corporate Citizen Contributing to Society
Materiality: Local Communities, Grievance Mechanisms for Impacts on Society (Activity examples) - Promotion of education on energy and the environment, food, fire and disaster prevention for next generations - Creative activities via a laboratory set up to study attractiveness of urban cities	
41	CSR Charter IV Complying with Laws and Regulations and Respect for Human Rights
Materiality: Customer Privacy, Human Rights Grievance Mechanisms (Activity examples) - "Compliance Desks": Reporting channel at head office, core affiliates, and law offices - Promotion of global compliance in step with overseas business operations	
45	CSR Charter V Management Policy for Human Growth
Materiality: Labor Practices Grievance Mechanisms (Activity examples) - Efforts to promote diversity - President tours workplace to directly talk with group employees	

49 Third Party Review / Third Party Verification

Coverage and Materiality

We selected topics to be covered in the report and prioritized them taking into consideration what is most important both for our company and stakeholders (society). Our dedicated website for CSR includes further comprehensive and detailed our efforts.

Readability and Ease of Understanding

To ensure that a wide range of readers can understand the information provided in this report, careful consideration is given to visual design, including the text size, use of colors pictures and diagrams, and explanatory notes are provided for technical terms. Those who are interested in the details of the report or relevant information, please look at the upper right corner of this page where web pages for further relevant information are shown.

For words with this mark, refer to a terminology list.

Reliability

We use third party verification to ensure the reliability of the content and data presented in our CSR report.

The environmental performance data in this report underwent third party verification by Bureau Veritas Japan Co., Ltd. The overall report underwent a third party review process that included assessment and recommendations as well as simple audits, by the Institute for Environmental Management Accounting (IEMA).

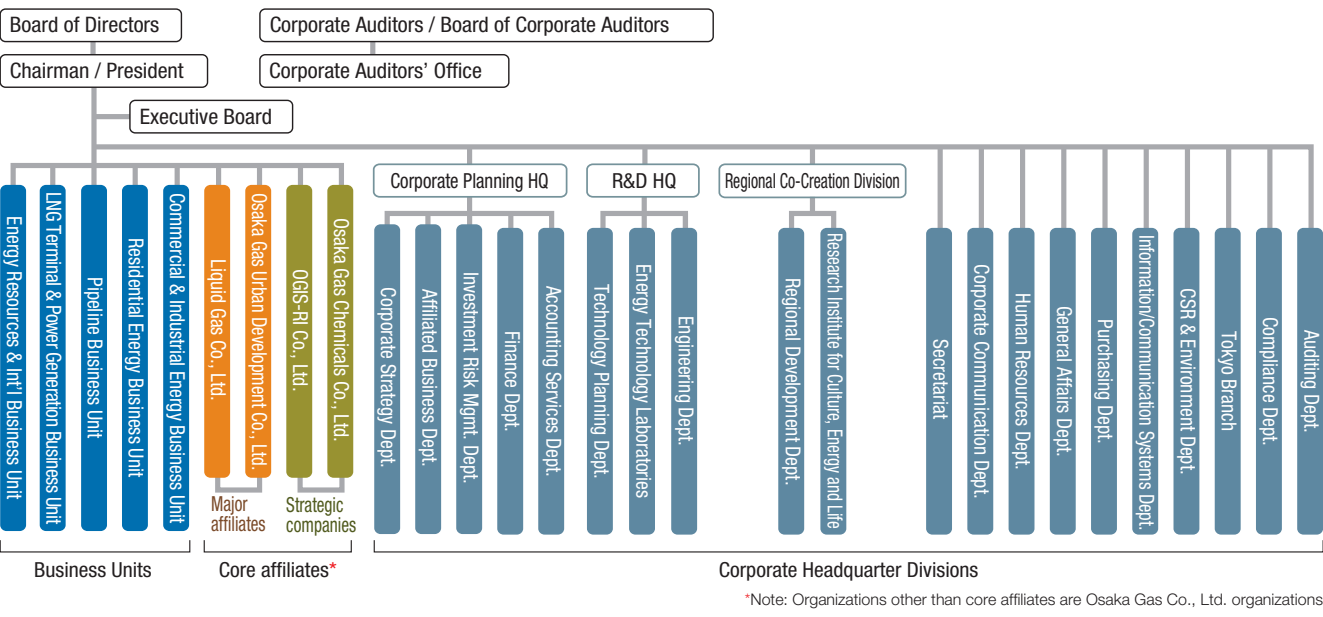
Corporate Profile of Osaka Gas (As of March 31, 2015)

Head Office : 4-1-2 Hiranomachi, Chuo-ku, Osaka 541-0046, Japan
Establishment : April 10, 1897
Commencement of operations : October 19, 1905
Capital : 132,166 million yen
Number of employees :
[Non-consolidated] 5,866
(including operating officers, directors and temporary employees, and excluding employees temporarily transferred to affiliated companies)
[Consolidated] 20,982

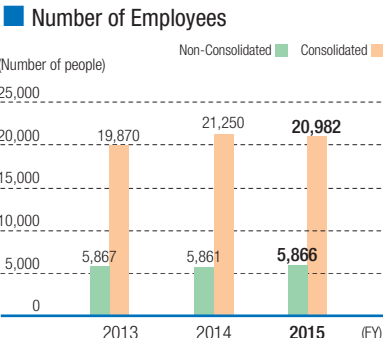
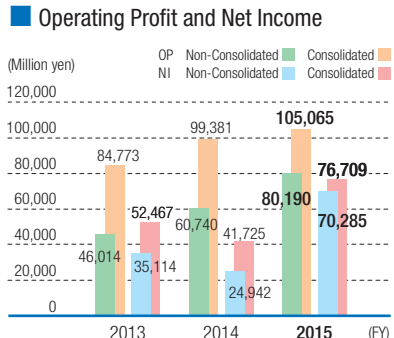
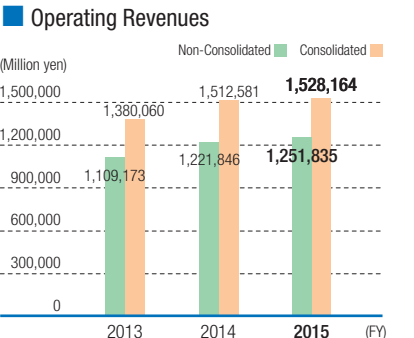
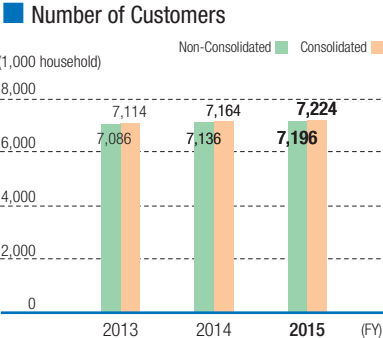
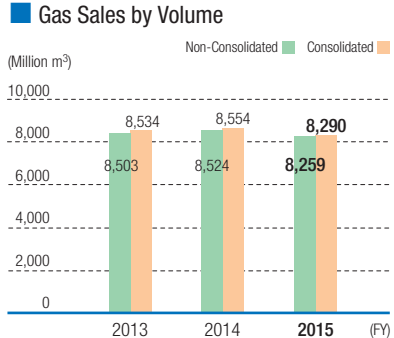
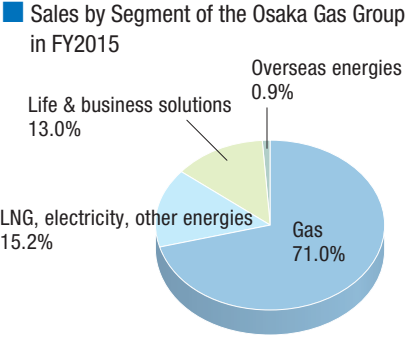
Main business lines of the Osaka Gas Group (As of March 31, 2015)

Business segments	Main business lines
Gas	Sale of gas and gas appliances, gas pipes installation, heat supply
LPG, electricity and other energies	Sale of LPG, electricity supply, sale of LNG, gas sale for industrial customers
Overseas energies	Overseas energy supply, leasing of LNG tankers, development and investment regarding oil and natural gas
Life & business solutions (Non-energy business)	Development and leasing of real estate properties, information-processing services, sale of fine materials and carbon material products, operations of sport facilities, engineering, leasing of automobiles and equipment

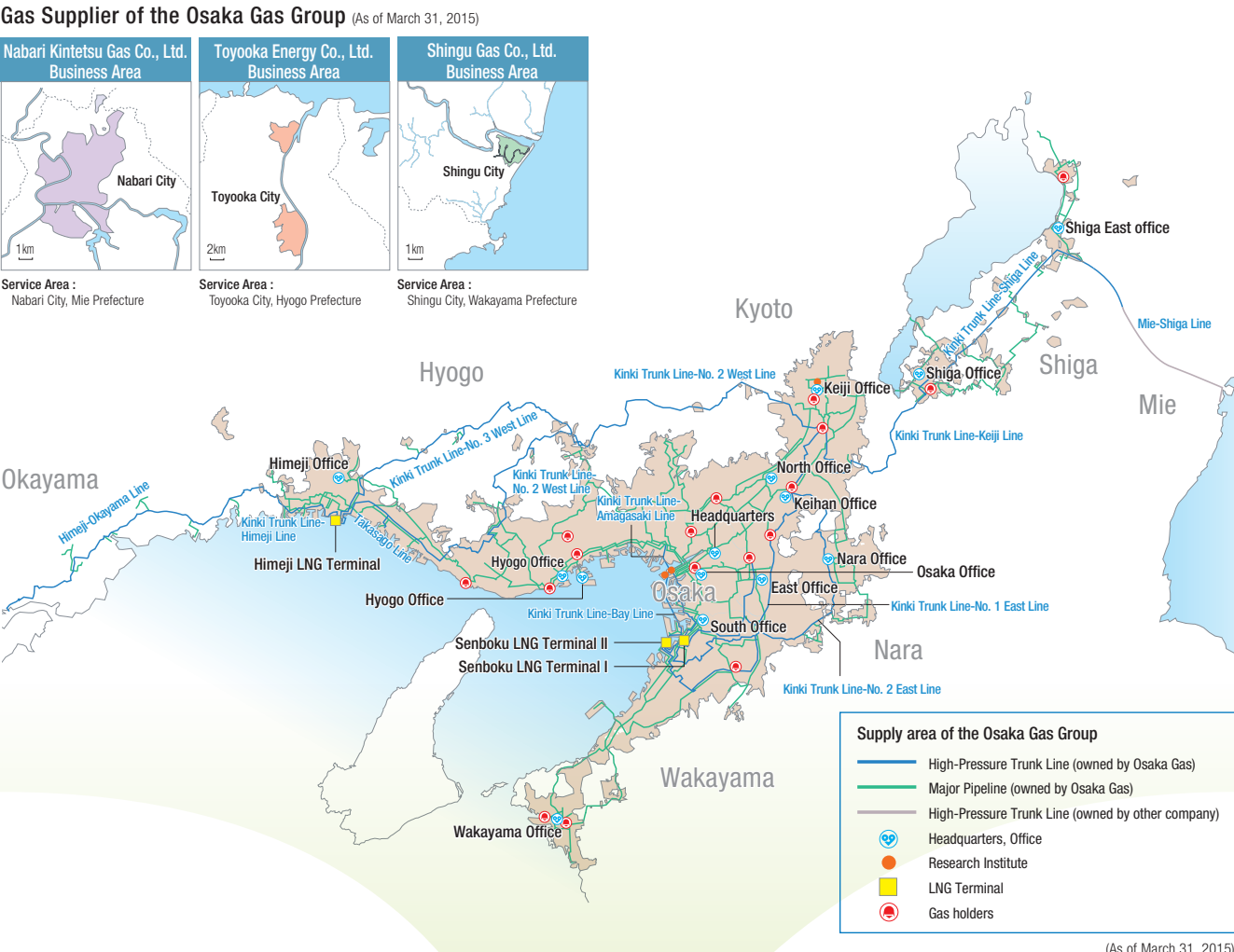
Osaka Gas Group Management Structure (As of April 1, 2015)



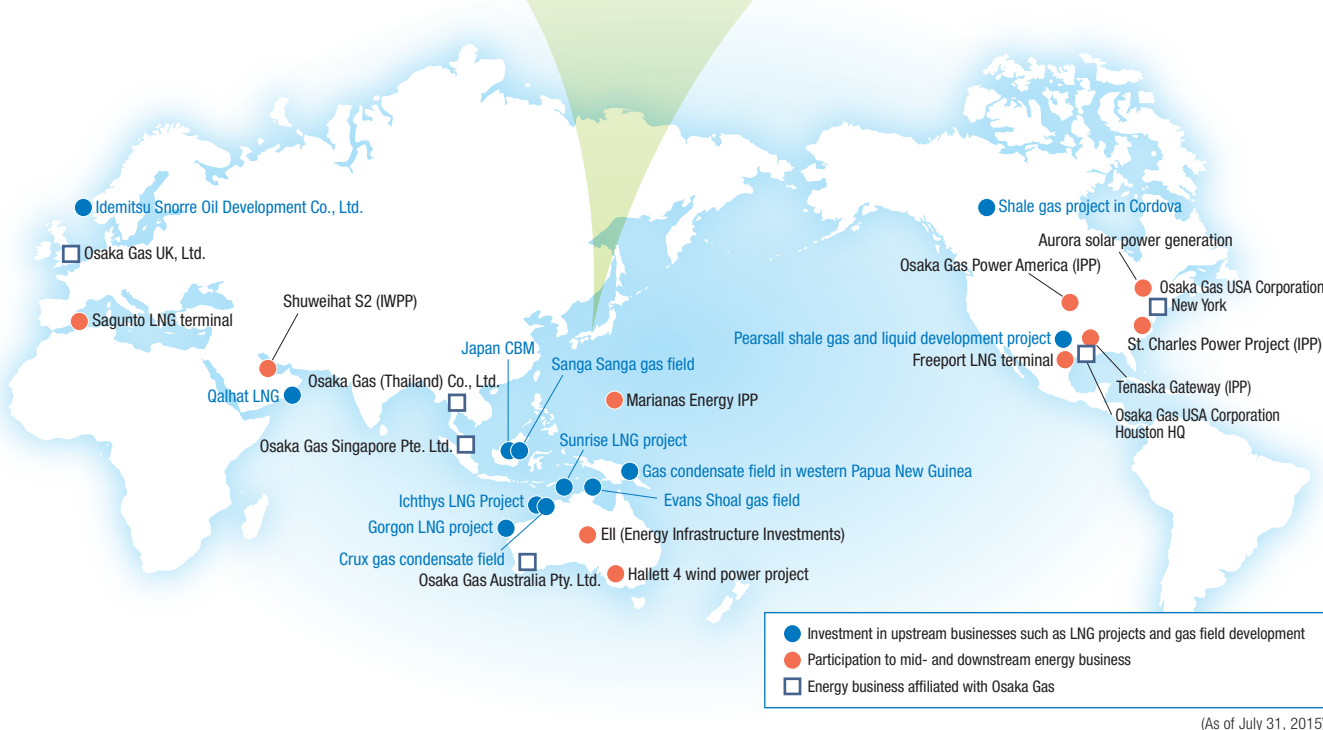
Financial and Non-financial Information



Osaka Gas Group Business Area



Overseas Energy Businesses of the Osaka Gas Group



The Osaka Gas Group aims to be a corporate group in both their quality of life and businesses.

Aiming to be a company that contributes to the creation of a sustainable society and that can grow itself sustainably.

(Medium-Term Management Plan “Catalyze Our Dreams”)

This year Osaka Gas marks the 110th anniversary of its founding. Since its foundation, the Company has engaged in business activities based on its corporate motto, “Service First,” giving the highest priority to service, with the aim of becoming a “corporate group that serves the interest of customers and contributes to society.”

Many factors that can affect the Osaka Gas Group's business greatly exist in our business environment, including moves to the electricity and gas industry regulatory reform, the ongoing shale gas revolution and regulatory moves by authorities in response to climate change.

Osaka Gas recognizes that the biggest challenge we face is to achieve sustainable growth by appropriately responding to changes in our business environment and increasing the group's business efficiency.

In March 2014, the Osaka Gas Group has formulated a medium-term business plan called “Catalyze Our Dreams,” covering the three years from FY2015 to FY2017, to realize our long-term management vision, “Field of Dreams 2020.”

Focusing on natural gas, which is regarded as important energy sources under the central government's energy policy,

Osaka Gas aims to create new values for customers and society. Specifically, the company will do this by engaging in energy and energy-related businesses, including electricity and LPG, and by providing goods and services in non-energy fields such as materials and information.

The Osaka Gas Group will make its efforts to evolve into a comprehensive energy business operator, and expand its electricity business, overseas energy businesses, and non-energy business in life & business solutions—all under our medium-term management plan. To achieve these business goals, we will engage in business activities steadily and actively, and aim to be a corporate group that contributes to the development of a sustainable society.

Priority issues for FY2016

1. Further Evolution of the Energy Businesses

– **Stable and economical procurement of natural gas, and promotion of upstream businesses** –

To provide natural gas to our customers in a stable and economical manner, Osaka Gas has been diversifying LNG procurement sources and contract price indicators while making further efforts to use our own tankers for LNG transport. In addition, we have been expanding upstream businesses (development and production of natural gas) by endeavoring to acquire new concessions as well as steadily implementing existing projects including the Freeport LNG project in the United States.

that helps customers' “further evolution”

– **Expansion of electricity business** –

We are working on further developing power sources in addition to the Senboku Natural Gas Power Plant, already under operation. Specifically, we are making various efforts to secure new power sources across Japan, including the promotion of thermal power generation and power generation via renewable energy sources, and active use of surplus electricity generated from cogeneration systems, all in collaboration with various partners.

– **Stable gas supply and assurance of safety** –

Osaka Gas is committed to ensuring safety in providing gas to customers for their safe and stable use. To that end, we are ensuring the safety of LNG-processing and gas-supply facilities while working out plans to repair and renovate facilities deemed requiring such actions. Based on lessons learned from the Great Hanshin Earthquake and Great East Japan Earthquake & Tsunami, we have introduced LNG-processing and gas-supply facilities that have strong resistance against earthquakes, and build anti-disaster walls along coastlines to block tsunami. These measures are designed to help restore our facilities within two weeks after a possible damage in the case of a Level 1 tsunami following the expected occurrence of a major earthquake predicted to occur in the Nankai Trough that runs south of Japan's main islands.

– **Expansion of energy business both in Japan and overseas** –

As a way of fulfilling our responsibility as an on energy business operator, we are engaging in the business while pursuing the S+3E (safety, energy security, economic efficiency and environmental adaptation).

Our cumulative sales of ENE-FARM cogeneration systems for household use topped 40,000 units in July 2015. We are endeavoring to expand the use of natural gas through the diffusion of cogeneration systems developed for household, commercial and industrial uses, and air-conditioning systems using natural gas. By doing so, we are helping people lead more comfortable lives while contributing to energy savings, increasing energy security, conserving the global environment, and making our society stronger against disasters.

By utilizing the technologies and business know-how we have come to own, we will undertake energy business both in Japan and abroad covering wider fields including the gas business, electricity business, and energy-related services.

– **Responding to moves to electricity and gas industry regulatory reform** –

By viewing moves to reform power and gas systems as opportunities for our company's growth, we will further solidify our ties with customers. In addition, we will aim to expand our energy business by providing various services that meet customers' needs. We will review the company's organizational structure, improve business flows, and upgrade IT systems while taking measures to further increase neutrality in the gas supply business.

2. Life & business solutions business

Based on the technologies and knowledge we have obtained through the energy business, we will provide various products and services that are competitive in such fields as material solutions, information solutions, and real estate business. By delivering such products and services, the Osaka Gas Group is committed to making the lives of its customers both in Japan and abroad enriched, and to contributing to their business development.

3. Strengthening the management foundation

We will further increase operational efficiency of gas appliances and facilities, and cut business costs. We will promote utilization of engineering technologies in resource development and power generation as well as technological development regarding hydrogen, materials and information.

We are also stepping up efforts to develop human resources and strengthen our organizational structure.

Pursuing high levels of CSR

Priority themes set for our CSR activities under the mid-term management plan “Catalyze Our Dreams” are the “promotion of global compliance,” “promotion of CSR activities for the entire value chain network,” and “promotion of diversity.”

To implement these goals, we will strengthen our business activities, not only complying laws and regulations, also in line with international norms such as the United Nations Global Compact, international standard ISO 26000 and GRI guidelines, while abiding by rules set under the “Osaka Gas Group CSR Charter” and the “Osaka Gas Group Code of Conduct.” By doing this, we will further raise the CSR level of the entire Osaka Gas Group—both in Japan and abroad—including the compliance level.

As for the promotion of CSR activities for the entire value chain network, we have identified important aspects of CSR called “materiality,” based on the fourth edition of the GRI guidelines.

We are also promoting diversity under the “Osaka Gas Group Diversity Policy.” Specifically, we are diversifying our human resources and working further to improve the environment in a bid to be a corporate group where workers can display their abilities to the fullest extent.

Closing

We have been able to maintain our business activities for 110 years thanks to the support extended we have received from customers and society. To continue being a company chosen by customers and society, we will attach importance to keeping a dialogue with stakeholders, respond to their expectations flexibly and appropriately, and aim to be a corporate group that helps customers in both their lives and businesses for their “further evolution.”



本庄 武宏
Takehiro Honjo
President

Seeking Further Evolution in Quality of Life and Business

Corporate Principles and CSR Charter of Osaka Gas Group

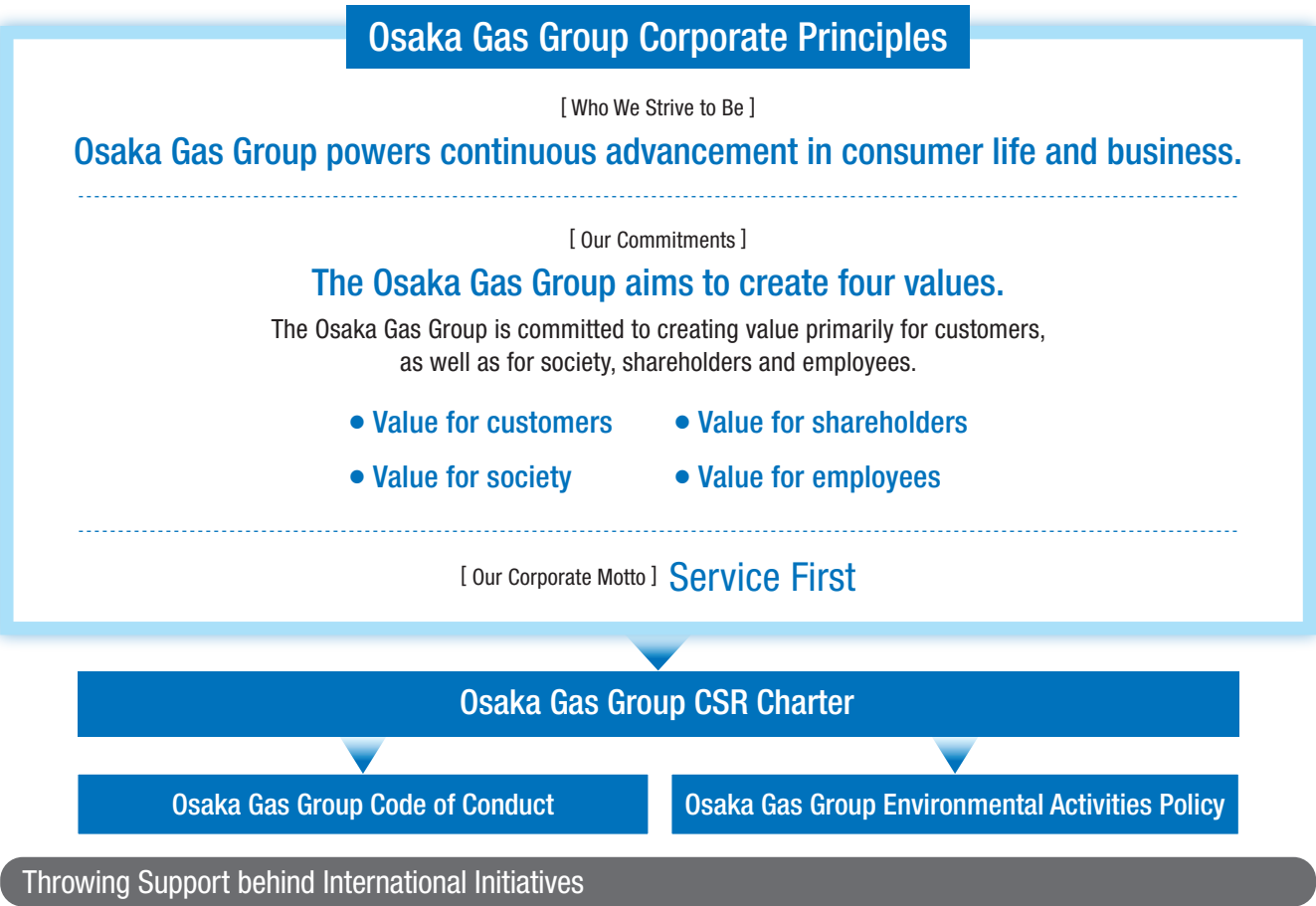
The Osaka Gas Group gives the highest priority to creating “value for customers.” The Group believes that creating “value for customers” plus three other values—“value for society,” “value for shareholders” and “value for employees”—through fair and transparent business activities constitutes fulfillment of its corporate social responsibility (CSR).

In order for the Osaka Gas Group to meet stakeholder expectations, fulfill its full CSR obligations and to achieve its sustainable development, we set forth the “Osaka Gas Group CSR Charter” as guiding principles for the management and employees of Group companies in conducting their business in 2006. In 2007, the Osaka Gas Group expressed its intent to participate in the United Nations Global Compact to demonstrate its policy of dealing

with CSR from the global point of view, becoming Japan’s first utility to join the U.N. initiative.

The “Osaka Gas Group Code of Conduct,” adopted in 2000 as guiding principles for Group executives and employees, was revised in 2008 to be more reflective of what is shown in the United Nations Global Compact. The Code of Conduct was also revised in 2011 to cover core subjects taken up under ISO 26000.

Furthermore, the Osaka Group introduced “CSR Indicators” in 2009 to promote and visualize its CSR efforts. Currently, we are striving to achieve CSR goals set for a three-year period ending in March 2017. We also introduced indicators corresponding to material aspects that were identified in fiscal 2015. While taking the indicators into account, we are promoting effective CSR management.



United Nations Global Compact

This is an initiative proposed by then U.N. Secretary-General Kofi Annan at the 1999 World Economic Forum, which calls for businesses to observe 10 principles concerning human rights, labor, the environment, and the anti-corruption. The Osaka Gas announced its participation in this initiative.

ISO26000

This is an international standard issued by the ISO in November 2010 concerning corporate social responsibility. ISO26000 is a guiding document on universal social responsibilities such as environmental protection and respect for human rights toward the creation of a sustainable, fair and balanced society. This standard is reflected in the CSR activities of the Osaka Gas Group.

Osaka Gas Group CSR Charter

- I

Creating Value for Customers
The Osaka Gas Group is committed to making a positive contribution to realizing a higher level of comfort and development in the business activities of its customers. The group intends to achieve this objective through the provision of a reliable and safe supply of natural gas and other energy services with an improved level of services for its customers. We also pursue the development of new products and services furthering value for customers, and that create opportunities for growth for our business and customers and society at large.
- II


Harmonizing with the Environment and Contributing to Realizing a Sustainable Society
Addressing the issues of the environment both at regional and global levels is of paramount importance for the Osaka Gas Group which is engaged in wide-ranging energy services. Being seriously aware of the impacts of its business activities on the environment, the Group seeks to harmonize its businesses with the environment and to realize efficient utilization of energy resources, thereby contributing to realizing a sustainable society.
- III

Being a Good Corporate Citizen Contributing to Society
As a good corporate citizen, the Osaka Gas Group strives to maintain communication with society and the communities it serves. Through proactive disclosure of information and improved managerial transparency, we intend to establish favorable relationships with citizens and to make our positive contribution to the development of a healthy society.
- IV

Complying with Laws and Regulations and Respect for Human Rights
The management's and the employees' compliance with laws and regulations forms the basis for gaining society's trust. Our perspectives on compliance go beyond legal and regulatory boundaries to include decent conduct expected of all citizens. Based on our respect for human rights, we intend to maintain equitable relationships with our customers, business partners, and other parties.
- V

Management Policy for Human Growth
The Osaka Gas Group strives to become a group of enterprises to realize the growth of its employees through work by ensuring employment opportunities and respecting employees' individuality and initiative. We will charge ourselves with the task of creating new value for customers, shareholders and society.

How the U.N. Global Compact and ISO 26000 are related to the Osaka Gas Group Code of Conduct

Osaka Gas Group Code of Conduct		United Nations Global Compact		ISO 26000: Core subjects*		
				Organizational governance (Corporate Governance See P.11)		
1	Respect for human rights	Human Rights	Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2 make sure that they are not complicit in human rights abuses.	Human rights Osaka Gas Group Code of Conduct 1 3 4 5 13		
2	Creating a pleasant work environment		Labor	Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4 the elimination of all forms of forced and compulsory labor; Principle 5 the effective abolition of child labor; and Principle 6 the elimination of discrimination in respect of employment and occupation.	Labor practices Osaka Gas Group Code of Conduct 2 3 4 5 13	
3	Compliance with laws and regulations ★	Environment		Principle 7 Businesses should support a precautionary approach to environmental challenges; Principle 8 undertake initiatives to promote greater environmental responsibility; and Principle 9 encourage the development and diffusion of environmentally friendly technologies.	The environment Osaka Gas Group Code of Conduct 3 4 5 6 13	
4	Personal and professional lives ★			Anti-Corruption	Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.	Fair operating practices Osaka Gas Group Code of Conduct 3 4 5 7 12 ~ 18
5	Respect for international rules and regulations as well as international norms including human rights norms				Consumer issues Osaka Gas Group Code of Conduct 3 4 5 8 9 10 13	
6	Consideration to the environment		Community involvement and development Osaka Gas Group Code of Conduct 3 4 5 11 13			
7	Compliance with anti-monopoly laws and practice fair transaction					
8	Provision of products and services ★					
9	Ensuring safety of products and services					
10	Interacting with customers					
11	Contributing to society ★					
12	Associating with business partners					
13	Developing our partners' understanding of our Code of Conduct ★					
14	Use of information and information systems					
15	Disclosure of information					
16	Management of intellectual property					
17	Prohibiting association with anti-social forces					
18	Appropriate payment of taxes and accounting practices ★					
				Network Japan		

★ Revised item

*Numbers in the right column show the items of the Osaka Gas Group Code of Conduct relating to each core subject of ISO 26000 [\[7\]](#).

*Numbers in the right column show the items of the Osaka Gas Group Code of Conduct relating to each core subject of ISO 26000.

Integration of CSR with Management Strategy

The Osaka Gas Group has drawn up a long-term management vision toward 2020, called “Field of Dreams 2020,” and also set long-term business goals, both to implement the Group’s long-term challenging task of business reshaping. By not only pursuing the company’s growth but also meeting rising expectations from society, we are striving to carry out high-level CSR with fully integrating it in our management strategy.

The Osaka Gas Group has formulated a medium-term business plan called “Catalyze Our Dreams,” covering the three-years between FY2015 and FY2017, to realize the long-term management vision. The word “catalyze” represent our commitment toward changes to our business as if it were being empowered by the force of a catalyst, a substance that makes a chemical reaction happen faster. By

having all of our employees act like a catalyst, the Osaka Gas Group will accelerate its efforts to evolve into a “comprehensive energy business operator” that can respond to possible future changes in the business environment, such as moves to regulatory reform of the electricity and gas industries.

Along with the formulation of the “Medium-Term Business Plan,” the Osaka Gas Group has set medium-term priority themes it is to work on in the field of CSR. The move is intended to expand activities that have been undertaken within the Group to its entire value-chain networks. We also chose specific priority themes for each CSR Charter.

By fulfilling CSR goals, we aim to become a company which is chosen by all stakeholders.

Long-Term Management Goals for the Osaka Gas Group (“Field of Dreams 2020” formulated in March 2009)

Broadening of Business Fields

The Group establishes the three core businesses of “domestic energy businesses”, “international energy businesses” and “life & business solution businesses” by proactively making growth-oriented investments.

Contribution to the Environment

Osaka Gas actively reduces stress on the global environment through the spread of environment-friendly natural gas; provision of efficient equipment, systems (fuel cells, cogeneration systems, etc.), and energy-saving programs; and development of renewable energy.

Enhancement of Corporate and Business Quality

The Group fulfills a high level of CSR as an excellent company which renders services to people, businesses, and communities, while more than meeting growing social expectations (level of commitment, disclosure).

Increasing Corporate Value

To continue to be a company chosen by all stakeholders, Osaka Gas Group is committed to making efforts to score sustainably high performance and enhance its corporate value by raising its asset and capital efficiency, maintaining dividend payments in a stable manner and keeping its financial standing sound.

Changes in business environment surrounding Osaka Gas Group
(March 2011 earthquake in eastern Japan, electricity and gas industry regulatory reform, shale gas revolution and others)

Medium-Term Business Plan of the Osaka Gas Group (FY2015-2017) “Catalyze Our Dreams”

“Catalyze Our Dreams” specifies the vision for the Osaka Gas Group, as shown below.

Vision for the Osaka Gas Group

Growing into a business group actively expanding its business fields by leveraging its strengths, enhancing various businesses to a world-class level and enriching customers’ lives and society.

Over three years from fiscal 2015, the Osaka Gas Group aims to transform itself into a “comprehensive energy provider” that can effectively respond to the need to reform the power and gas systems. Specifically, we will expand business operations in fields with growth potential, such as electricity, overseas energy business and material solutions. To expedite the business expansion, we have set three priority themes.

Priority Theme : 1 Strengthening the energy business in the Kansai region

Priority Theme : 2 Expanding the area of the energy business

Domestic and International Energy Businesses

The Osaka Gas Group will respond to a variety of demands from its customers and society through the supply of various types of energy, including natural gas (city gas and LNG), electricity, LPG, and high-quality safety, technology, and services.

Energy supply and sales in Japan

Power generation (including renewable energy)

Upstream businesses

Mid-stream and downstream businesses overseas

Kansai region

Japan-wide

Overseas

Non-energy (“Life & Business”) Solutions Business

The Osaka Gas Group will provide its customers and society with solutions that realize a comfortable, convenient, and healthy life by making full use of technology and business know-how nurtured through the energy business.

Material Solutions Business

Information Solutions Business

Real Estate Business

Life Service Business

New businesses

Priority Theme : 3 Creating the next “core” businesses

Priority Theme : 1

Strengthening the energy business in the Kansai region

The Kansai region is the core service area for the Osaka Gas Group’s energy business. The Group will enhance its business operations in the region to continue to be chosen by customers amid intensifying competition in the energy market due to moves to regulatory reform of the gas industry.

Priority Theme : 2

Expanding the area of the energy business

By turning the ongoing electricity and gas industry regulatory reform into a good business opportunity and also taking advantage of the business know-how we have acquired in the past, the Osaka Gas Group will expand its energy business operations both in Japan and overseas.

Priority Theme : 3

Creating the next “core” businesses

The Osaka Gas Group will develop businesses that can become its next core business from among fields other than the domestic energy business as part of its efforts to establish a solid business portfolio.

Priority CSR Themes Corresponding to the CSR Charter

Common Theme

Promotion of activities through the Group’s entire value chain network

I Creating Value for Customers

Providing products and services in response to the needs of customers and society

II Harmonizing with the Environment and Contributing to Realizing a Sustainable Society

Seeking to reduce the impacts of business operations on the environment and contributing to realizing a low-carbon society

III Being a Good Corporate Citizen Contributing to Society

Deepening communication with local communities and promoting social contribution

IV Complying with Laws and Regulations and Respect for Human Rights

Promoting global compliance in step with expanding overseas operations

V Management Policy for Human Growth

Utilizing the abilities of various human resources and helping our employees to grow

Corporate Governance

System of Corporate Governance

Following the internal regulations stipulated by such internal organizations as the Board of Directors, Osaka Gas thoroughly deliberates and makes decisions at the Board of Directors upon basic management policy and relevant issues on management after careful scrutiny from a technical perspective conducted by the Executive Board, which is composed of the president, vice presidents, 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 affiliates and to fulfill supervisory functions efficiently.

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. Osaka Gas has adopted the corporate auditor system. The Board of Corporate Auditors is comprised of five members, including three outside corporate auditors, who monitor and audit the duties and performance of directors. Matters pertaining to the appointment of directors and corporate auditors as well as remuneration paid to directors are determined after deliberation at an advisory committee*. As a part of efforts to ensure transparency and objectivity, the Management Advisory Committee is composed of a majority of outside directors.

For its accounting audit, Osaka Gas has concluded a contract agreement with KPMG Azusa LLC.

* The advisory committee consists of outside and internal members. The outside members are two outside directors and three outside auditors, while the internal members are the president and individuals appointed by the president as deemed necessary (up to two other executive directors can be appointed). The head of the committee is elected by the members of the committee.

Audits by Internal and Outside Auditors

The Company 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 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 reports based on the Japanese Financial

Instruments and Exchange Law, and report to management.

The Corporate Auditor's Office, composed 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.

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

Outside Directors and Outside Auditors

Osaka Gas has two outside directors and three outside corporate auditors. In determining a particular appointment, the company maintains specific predetermined criteria to ensure an appropriate level of independence to the effect that outside directors and corporate auditors do not have any conflicts of interest with the general shareholders. The outside directors take part in decision-making process as members of the Board of Directors and are expected to further enhance the auditing and monitoring functions of the Board of Directors. The outside corporate auditors are expected to fulfill their duties as corporate auditors by

monitoring execution of operations by directors from a strictly independent standpoint. The concrete roles of outside directors and outside 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 CSR at the Board of Directors meetings or other occasions. They also confirm the content of audit reports compiled by the independent auditor of accounts.

Risk Management

Organizational risk management structure

The basic unit for risk management in the Osaka Gas Group is each business division, subsidiary or affiliate. The head of each unit is responsible for managing the risks of loss and conducts relevant checks on a regular basis. In addition, the

management organization for risk management common to the Group supports the implementation of risk management tasks within each division and business unit across the entire group.

Regular reviews and monitoring

In fiscal 2007, the Osaka Gas Group introduced “G-RIMS” (Gas Group Risk Management System), which systematizes the self assessment of risk management practices. Each division conducts a self-assessment annually using a check list comprising about 180 items. Based on the self-assessment result, the division head and managers, responsible for taking action to resolve issues that have been

identified, properly operate PDCA (plan-do-check-act) cycle for improvement. Following the 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 monitor implementation. The results of “G-RIMS” and issues identified are reported to management.

G-RIMS (Gas Group Risk Management System) Check List

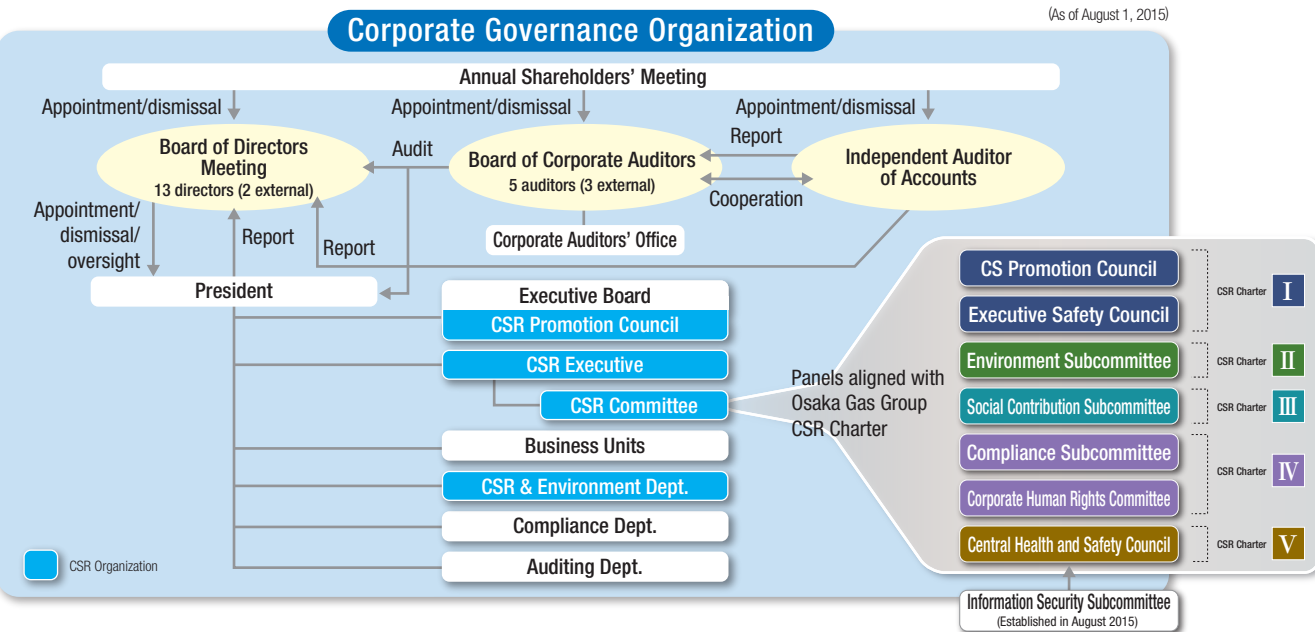
1. Finance and accounting risks	9. Disaster damage prevention and safety risks	17. Risk of compliance violation in business execution
2. Credit and Accounts Receivable management risks	10. Product safety risks	18. Business risks
3. Purchase, accounting and tax risks	11. Report-related risks	19. Business continuity risks
4. Risks in electronic banking*	12. Lawsuit risks	20. Other risks on business practices
5. Information management risks	13. Environmental problem risks	21. Intellectual properties management risks
6. Personal information management risks	14. Risks related to unfair trading and subsidies	22. Risks concerning internal control
7. Information disclosure management risks	15. Risk of inappropriate contact	
8. Personnel management risks	16. Risk of insider trading	

*Electronic banking: Financial services carried out over the Internet or via telephone

Ongoing Improvement and Regular Reviews

Each division head and manager is responsible for taking action on issues identified in the course of risk management reviews and to provide periodic follow-ups on the improvement processes. In addition, the auditor in each business unit and major affiliated company serves as a focal

point for discerning issues for internal audit and promotes managers' self-assessment to reinforce internal risk management initiatives. We ensure an effective PDCA (plan, do, check and act) cycle through these risk management activities across the entire group.



CSR Management

The Osaka Gas Group promotes CSR

The Osaka Gas Group aims to become a corporate group that helps further evolution of customers' livelihood and businesses. To this end, the management and employees act based on the "Osaka Gas Group CSR Charter" which stipulates basic concept of our CSR.

As our business field and area is expanding, the realm of stakeholders (i.e. customers, local communities, shareholders, employees and so on) which our business affects is also expanding.

In order to operate our business taking into account the

impact of our business that affects the society and environment, we identified important aspects for the Group's CSR, which we call "materiality," by referring to the fourth edition of the Sustainability Reporting Guidelines (G4) through discussion with outside knowledgeable people.

Under the "CSR Promotion System" as a basis of CSR activities, we implement CSR management system to promote and assess activities and indicators for identified materiality aiming for implementing effective PDCA management.

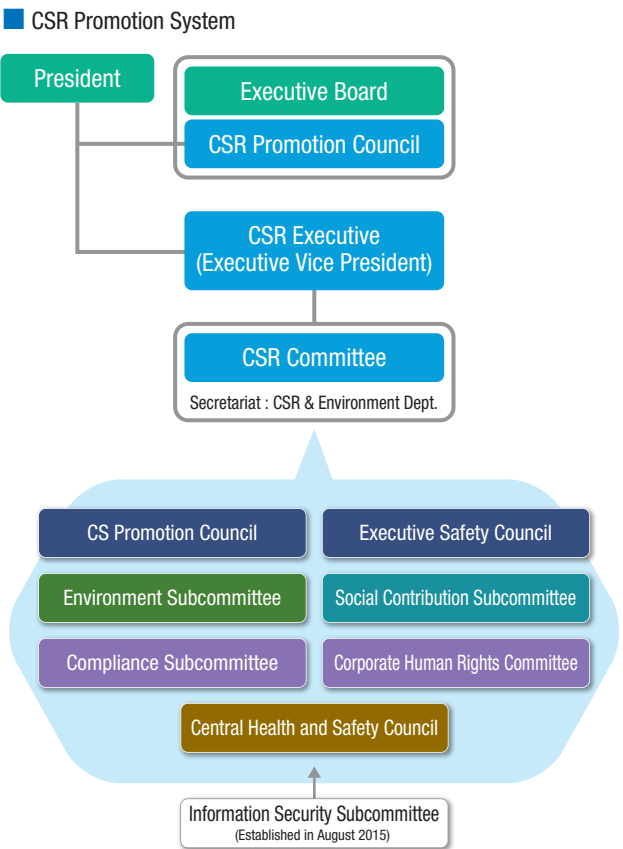
CSR Promotion System

The "CSR Promotion Council," consisting of executives, deliberates CSR plans and reports on results of activities under the supervision of the President of Osaka Gas. From the viewpoint of integrating the promotion of overall CSR activities, the Osaka Gas Group has established the "CSR Committee" which CSR & Environment Department coordinates and advances group-wide CSR activities. The committee, led by the "CSR Executive" (Vice President), is composed of the heads of business units.

The Group reviewed the CSR system so as to cover all of the five fields stipulated under the "Osaka Gas Group CSR Charter" and established the "Environmental Subcommittee," "Social Contribution Subcommittee" and "Compliance Subcommittee" to promote CSR activities in a cross-departmental manner.

Furthermore, in August 2015, we have established "Information Security Subcommittee" to strengthen information security at the Group.

All these moves represent the Osaka Gas Group's efforts to strengthen CSR activities to live up to higher social expectations from society through communication with internal and external stakeholders.

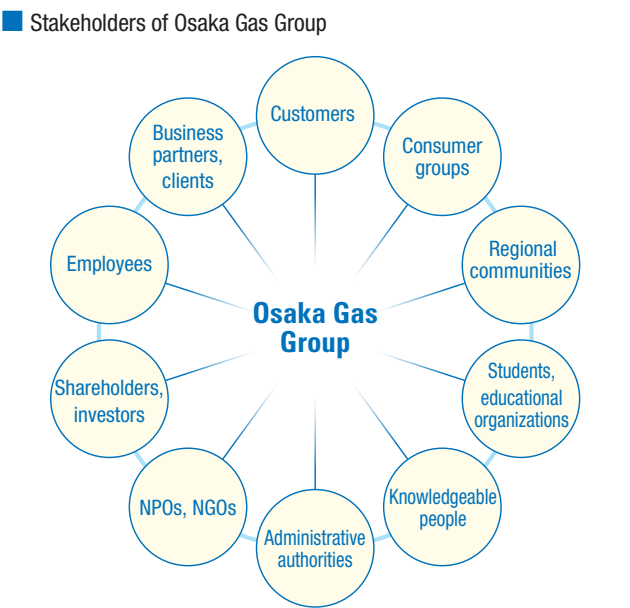


Dialogue and Cooperation with Stakeholders

The Osaka Gas Group is focusing on active engagement with stakeholders through dialogue to recognize various possible issues involved in its CSR and to come up with mutually acceptable solutions to such issues.

For example, the Osaka Gas Group has been promoting dialogue with the Kansai Consumers' Association, the Osaka Voluntary Action Center, and the Group's labor union. Furthermore, the Group is sharing information with the Japan Network of the United Nations Global Compact, is actively taking part in the formulation of various policy measures by the government and municipalities. The Group is also active as a member of the International Gas Union (IGU) putting forward proposals, aimed at developing the global gas industry.

One of the results of such engagement is that 5 business associations comprised of partner companies undertaking gas-related services established the Code of Ethics respectively in response to the Group's policy. The Group is also actively engaging with various stakeholders, such as businesses, universities and NPOs.



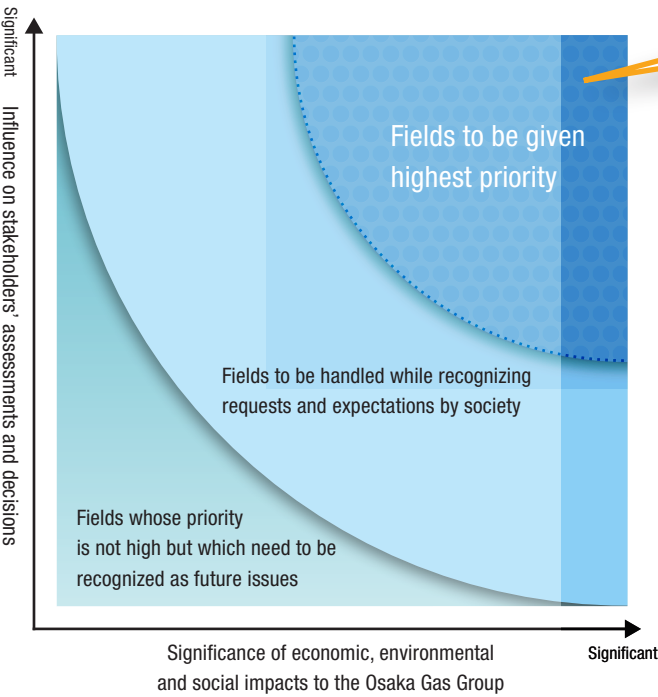
Stakeholders	Main events for dialogue and cooperative work
Customers	<ul style="list-style-type: none">• Business opportunities such as security service and sale• Service shops• Website• Call centers including "Customer Centers"• Showrooms• Corporate PR events• Catalogs for products and services• Advertisements via TV and other media
Consumer groups	<ul style="list-style-type: none">• Meetings• Tours• Seminars, study sessions
Regional communities	<ul style="list-style-type: none">• Social contribution activities• Tours• "Energy and Environmental Education"
Students, educational organizations	<ul style="list-style-type: none">• Joint study• "Energy and Environmental Education," "Food Education," "Fire Education," "Education on Disaster Prevention"• Acceptance of interns• Recruitment meetings• Website
Knowledgeable people	<ul style="list-style-type: none">• Joint study• Meetings
Administrative authorities	<ul style="list-style-type: none">• Submission of various documents• Meetings• Cooperation for regional development
NPOs, NGOs	<ul style="list-style-type: none">• Joint research• Joint work and cooperation for solving regional issues• Meetings
Shareholders, investors	<ul style="list-style-type: none">• Issuance of various documents (financial statements, annual reports)• Briefings• Website
Employees	<ul style="list-style-type: none">• Labor-management meetings• Education and training sessions• "Compliance Desks"• "Contact Windows Regarding Human Rights Issues"• Intranet, in-house periodicals
Business partners, clients	<ul style="list-style-type: none">• Business opportunities• Various regular meetings• Joint training and joint drills

Important Aspects (Materiality) for the Osaka Gas Group

Studying and Identifying Materiality in CSR

The Osaka Gas Group believes that it should engage in its business activities while grasping the possible effects on society of its activities as an energy business operator, minimizing the occurrence of such effects and mitigating the effects that occur. Based on this belief, the Osaka Gas Group identifies aspects judged important at this moment (materiality) and manages them.

Forty-six aspects of G4 guidelines were organized in accordance with the “Osaka Gas Group CSR Charter,” and studied in the process of identifying material aspects. The results of the assessment made to measure the importance of 46 aspects for both society and the Group are dotted on the materiality analysis map. In the process of determining the materiality, aspects judged important for society by both the Group and stakeholders have been identified as needing to be given the highest priority, or “materiality.”



CSR Charter		G4 Aspects Determined as Materiality	Reasons of materiality in respect of our business
I	Creating Value for Customers	Customer Health and Safety	The Osaka Gas Group puts the highest priority on securing safety of gas supply and facilities as an energy business operator which supplies city gas to 7.22 million customers. Therefore, we consider it important that we make efforts to enhance the safety level and formulate a structure to respond possible accidents and disasters.
		Product and Service Labeling	It is important for the Osaka Gas Group to provide customers with accurate information regarding safety and environmental aspects of city gas, gas facilities and appliances so that they can use them safely.
II	Harmonizing with the Environment and Contributing to Realizing a Sustainable Society	Energy / Emissions	The Osaka Gas Group, as an energy business operator, sees it as important to promote more efficient use of energy resources and curtail greenhouse gas emissions over the entire business process, from drilling of natural gas to supply.
		Effluents and Waste	Over the entire business process, from drilling of natural gas to supply, the Osaka Gas Group, as an energy business operator, sees it as important to promote more efficient use of natural resources based on the 3Rs (reduce, reuse and recycle) and to reduce the load on the environment in doing business.
		Environmental Grievance Mechanisms	Grasping the effects of business activities on the environment as accurately as possible and dealing with legitimate complaints filed due to the effects expeditiously is a corporate responsibility. By doing so, companies can build long-term relationships of mutual trust with stakeholders and reduce business risks associated with the environment.
III	Being a Good Corporate Citizen Contributing to Society	Local Communities	When conducting its business in close cooperation with local communities, the Osaka Gas Group can grow along with the communities by fulfilling its responsibility such as paying local taxes and contributing to local communities in various fields. Doing so will lead to a favorable cycle that brings the development of local communities.
		Grievance Mechanisms for Impacts on Society	Grasping the effects of business activities on the local communities as accurately as possible and dealing with legitimate complaints filed due to the effects expeditiously is a corporate responsibility. By doing so, companies can build long-term relationships of mutual trust with stakeholders.
IV	Complying with Laws and Regulations and Respect for Human Rights	Customer Privacy	As an energy business operator which secures the basis of the society, the Osaka Gas Group considers it is indispensable to recognize the importance of customers' information and those appropriate management.
		Human Rights Grievance Mechanisms	Grasping the effects of business activities on the stakeholders' human rights as accurately as possible and dealing with legitimate complaints filed due to the effects expeditiously is a corporate responsibility. By doing so, companies can build long-term relationships of mutual trust with stakeholders.
V	Management Policy for Human Growth	Labor Practices Grievance Mechanisms	Grasping the effects of business activities on labor practices of its own and stakeholders as accurately as possible and dealing with legitimate complaints filed due to the effects expeditiously is a corporate responsibility. By doing so, companies can build long-term relationships of mutual trust with stakeholders.
Common Theme		Supplier Environmental Assessment, Supplier Assessment for Impacts on Society, Supplier Human Rights Assessment, Supplier Assessment for Labor Practices	A wide range of suppliers involves our city gas value chain. Fulfilling CSR together with suppliers in the value chain leads to a better relationship with stakeholders, resulting in the development of the entire value chain.
		Economic Performance	It is important for the Osaka Gas Group to keep its financial standing sound and healthy in order to fulfill its corporate responsibility as an energy business operator in charge of building social infrastructure, and to continue to be a company chosen by customers.

Key Performance Indicators

CSR Activity Assessment Using Indicators

“Materiality indicators” have been introduced regarding the identified materiality as a way to assess management performance of FY2015.

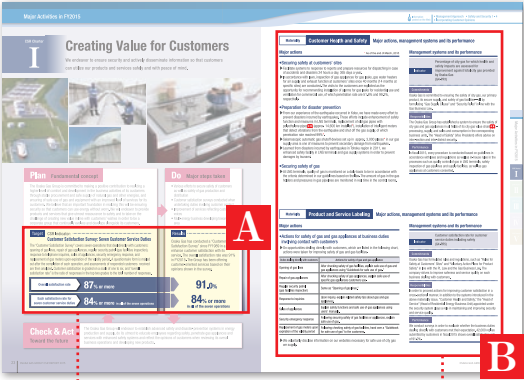
Apart from the materiality indicators, the Osaka Gas Group’s conventional “CSR Indicators” have been continuously managed.

Format for reporting indicators

Relevant “CSR Indicators” and “Materiality indicators” are reported from P.23 in accordance with each of the five charters set under the “Osaka Gas Group CSR Charter.” The front page of each charter is configured as shown below—“CSR Indicators” reported in “A” and materiality indicators reported in “B.”

As for “CSR Indicators,” their goals and the extent of their achievements are reported. As for “Materiality indicators,” major actions, management systems and its performance for relevant materiality are reported to ensure people’s understanding that materiality has been managed appropriately.

Four materiality items concerning suppliers are reported on P.22.



- A CSR Indicators**
 - Targets
 - Results
- B Materiality**
 - Major actions
 - Management systems and its performance

CSR Charter	Key Performance Indicators		FY2015 Target	FY2015 Result	
I Creating Value for Customers	CSR Indicators	Customer Satisfaction Survey: Seven Customer Service Duties	Overall satisfaction rate	87% or more	91.0%
			Each satisfaction rate for seven customer service duties	84% or more	84% or more
	Materiality indicators				
	Customer Health and Safety	Percentage of city gas for which health and safety impacts are assessed for improvement against total city gas provided by Osaka Gas	G4-PR1	100%	100%
II Harmonizing with the Environment and Contributing to Realizing a Sustainable Society	Product and Service Labeling	Customer satisfaction rate for customer service duties including safety	G4-PR5	87% or more	91.0%
	CSR Indicators	Environmental Management Indicator	Environmental Management Efficiency	58 yen/1,000 m ³ or less*	60 yen/1,000 m ³
	Materiality indicators				
	Energy / Emissions	Amount of CO ₂ emissions at LNG terminals per unit gas sales	G4-EN18	12.3 t-CO ₂ /1 million m ³ or less*	10.9 t-CO ₂ /1 million m ³
		Amount of CO ₂ emissions at office buildings per unit floor space	G4-EN18	74.4 t-CO ₂ /1,000 m ² or less*	65.6 t-CO ₂ /1,000 m ²
III Being a Good Corporate Citizen Contributing to Society	Effluents and Waste	Final disposal rate of industrial waste at Osaka Gas	G4-EN23	2.0% or less*	1.3%
	Environmental Grievance Mechanisms	Number of grievances filed, addressed and resolved about environmental impacts through the formal grievance mechanisms	G4-EN34		Responded to each grievance received
	CSR Indicators	Number of communication events	Number of events held (on-site dietary and energy/environmental seminars, etc.)	1,000 events or more	1,985 events
			Number of contacts (visitors to permanent facilities including Gas Science Museum)	60,000 persons or more	69,369 persons
	Materiality indicators	Social contribution activities	Number of times	600 times or more	696 times
IV Complying with Laws and Regulations and Respect for Human Rights	Local Communities	Percentage of operations with implemented local community engagement, impact assessments and development programs	G4-S01	100%	100%
	Grievance Mechanisms for Impacts on Society	Number of grievances filed, addressed and resolved about social impacts through the formal grievance mechanisms	G4-S011		Responded to each grievance received
	CSR Indicators	Scores on compliance awareness	(Individual) Understanding level of “Code of Conduct”	Higher than the previous year	0.4 points decreased compared to the previous year (73.4%)
			(Organization) Degree of compliance penetration in the organization	Higher than the previous year	1.0 points improved compared to the previous year (87.0%)
	Materiality indicators	Percentage of employees receiving “Compliance Training”		100%	100%
V Management Policy for Human Growth	Customer Privacy	Total number of substantiated complaints regarding breaches of customer privacy	G4-PR8		Appropriately took measures for preventing recurrence
	Human Rights Grievance Mechanisms	Number of grievances filed, addressed and resolved about human rights through the formal grievance mechanisms	G4-HR12		Responded to each grievance received
	CSR Indicators	Employee Attitude Survey	Job satisfaction and attachment to the company	Maintain sufficient levels	Maintain sufficient levels
Common Theme	Materiality indicators				
	Supplier Environmental Assessment, Supplier Assessment for Impacts on Society, Supplier Human Rights Assessment, Supplier Assessment for Labor Practices	Percentage of new suppliers that have been selected using criteria regarding environment, social impact, human rights and labor practices	G4-EN32 G4-S09 G4-HR10 G4-LA14	100%	100%



CSR Efforts Throughout City Gas Value Chain

Promotion of CSR Together with Business Partners

Osaka Gas's task of delivering city gas to customers can't be achieved without the cooperation of various business partners—not only Osaka Gas Group companies but also business partners such as suppliers. We believe it is necessary for Osaka Gas to deal with the social and environmental effects that are generated in its business process in the most responsible manner and in close cooperation with our business partners.

Osaka Gas has adopted "CSR-based Purchasing Guidelines" as a way to fulfill its CSR in procurement activities and disclosed that on its website. New materials suppliers

have been briefed about the guidelines, before starting business transactions with Osaka Gas. Major suppliers are to be asked to reconfirm the content of the guidelines during an annual CSR survey on them as part of our follow-up efforts.

Our CSR survey for fiscal 2015 was expanded to cover LNG  sellers, gas appliance makers and companies engaging in the gas business on a consignment basis, such as gas service chains and gas pipeline construction companies. We will work with our suppliers to fulfill our CSR and aim to promote mutual prosperity in the entire value chain , from LNG drilling to marketing, sales and consumption.

■ CSR Survey Conducted (in FY2015)

Companies covered by the survey	Number of companies surveyed	Number of companies which replied	Other efforts
LNG sellers	11 companies	10 companies	
Main suppliers, including gas pipeline material makers	192 companies	187 companies	Operation of "Green Partner Initiative"*
Gas appliance makers	41 companies	34 companies	Formulation of "CSR Procurement Guidelines Regarding Gas Appliances"
Gas service chains and gas pipeline construction companies	242 companies	181 companies	Holding of "Joint CSR Training Session"
Total	486 companies	412 companies	

*See P.22

Materiality

Supplier Environmental Assessment, Supplier Assessment for Impacts on Society, Supplier Human Rights Assessment, Supplier Assessment for Labor Practices

Major actions, management systems and its performance

Major actions

• Measures in purchase from suppliers

▶ New suppliers will be briefed about the "Purchasing Policy" and "CSR-based Purchasing Guidelines" before starting business transactions with Osaka Gas. In addition, Osaka Gas will confirm the CSR efforts being made at these new suppliers before going ahead with procedures for business transactions with them.

In fiscal 2015, a survey was conducted on 192 major suppliers to check their CSR efforts.

When they conduct business transactions with Osaka Gas, they are asked to comply with "Green Purchasing Guidelines" set by Osaka Gas, attached to the specifications for the business transactions.

• Operation of Green Partner Initiative

▶ "Green Partner Initiative" is applied to suppliers of gas pipeline materials. Under the system, suppliers which are recognized as being active about environmental efforts including building environmental management systems (EMS)  will be registered as Partners. As of the end of March 2015, 16 suppliers had been registered as Partners. When their Partner status is renewed, they will undergo inspections to check if they meet registration standards. During such inspections, they will be requested to step up environmentally-friendly management.

Management systems and its performance

Indicator	Percentage of new suppliers that have been selected using criteria regarding environment, social impact, human rights and labor practices (G4-EN32, SO9, HR10, LA14)
Commitments	In procurement activities, Osaka Gas is committed to fulfilling CSR in close cooperation with business partners in line with the "Osaka Gas Group Code of Conduct," drawn up based on the United Nations Global Compact. In material-procurement activities, which often involve business transactions with new suppliers, Osaka Gas is striving to disseminate procurement-related standards and guidelines set by the company, including "Purchasing Policy" and "CSR-based Purchasing Guidelines," to such suppliers.
Responsibilities	Each organization in charge of procuring particular materials is to fulfill its responsibility in buying such materials in accordance with the procurement-related policies and guidelines set by Osaka Gas.
Performance	In fiscal 2015, we started business transactions with new 53 suppliers and found no transactions which did not comply with criteria regarding environment, social impact, human rights and labor practices.

Close up Drilling

Checking sellers of LNG regarding their CSR efforts

A CSR survey was conducted on 11 companies which sell LNG to Osaka Gas under long-term contracts. The survey, to which 10 companies replied, was intended to evaluate the progress of efforts made by the surveyed companies regarding 43 items covered by five themes—corporate governance, human rights, labor, environment and giving of consideration to local communities in business activities. The latest survey, the second of its kind following the one in 2011, was prepared based on a guideline, "Oil and Gas Sector Guide on Implementing the UN Guiding Principles on Business and Human Rights," published by the European Commission in 2013. The survey found no problem related to "giving of consideration to local communities in business activities," a theme newly added to the latest survey. Rather, it was confirmed that each company has introduced programs aimed at promoting development of local communities. Osaka Gas will continue to conduct a similar survey.

Stakeholder Views

Mr. Chris Gunner

Country Chairman, Japan
Shell



Shell works to help meet the world's growing demand for energy in a responsible way.

For Shell, respect for people, their safety, their communities and the environment remain top priorities. We do this by operating in line with international standards, our own stringent frameworks and best practice. We also engage with our neighbors in the communities where we operate and to generate jobs and business opportunities for local economies. We are a founding member of the United Nations Global Compact and continue to support its principles on human rights, labor, the environment and tackling corruption.

Close up Marketing and consumption

CSR Procurement Guidelines Regarding Gas Appliances adopted to share social and environmental issues between Osaka Gas and its suppliers

Osaka Gas conducted its first CSR survey on gas appliance makers to enhance their awareness of the importance of taking into account social and environmental aspects in doing business and to ensure the safe use of gas appliances by end customers. The survey asked 41 companies about their CSR efforts regarding 67 items covered by eight themes—compliance, human rights, labor, occupational health and safety, product safety and quality, environmental protection, ethics and anti-corruption, and implementation systems—in line with the "CSR Procurement Guidelines Regarding Gas Appliances," adopted in January 2015. Of the 41 companies, 34 replied. As for key materials, the companies polled were asked to check even upstream suppliers. Some gas appliance makers, however, were found to have little information about the situation for key materials in upstream suppliers. Osaka Gas will continue to deepen communications with its suppliers through these surveys.

Stakeholder Views

Mr. Satoshi Morikawa

Manager
CSR Promotion Group
NORITZ Corp.













Efforts get under way following Osaka Gas briefings on CSR procurement guidelines.

NORITZ has adopted "the NORITZ Group CSR Procurement Guidelines" in July 2014. The company has participated in activities undertaken by sub-panels of the U.N. Global Compact. It also holds in-house workshops on CSR procurement. Also, based on knowledge acquired through those activities, NORITZ set out a survey on conflict minerals with the help of suppliers.

Reaffirming our expected behavior at "CSR Training Session" held by Osaka Gas, the company will continue to respond to the needs and expectations of society, and engage in procurement activities in a responsible manner.

Social Impact of Business Activities in City Gas Value Chain and Efforts to Reduce Such Impact

	 <h2>Drilling</h2> <p>In recent years, expectations are turning more toward natural gas. Under these circumstances, Osaka Gas has been working to diversify the sources from which natural gas is procured, and also the prices at which natural gas is procured, adding to participating in gas fields development. By doing so, we are striving to establish a system to procure LNG at reasonable prices and in a stable manner.</p> <p>8 countries forming long-term contracts with Osaka Gas</p>	 <h2>Transportation</h2> <p>The Osaka Gas Group efficiently operates LNG tankers it owns and those owned by other companies with the aim of ensuring more expeditious, safer and steady LNG transportation.</p> <p>Approx. 7.76 million tons/year Amount of LNG imports</p>	 <h2>Processing</h2> <p>LNG terminals are a vital component of the LNG business, comparable to the human heart. Osaka Gas has established a solid processing system to gasify LNG, adjust thermal unit and add odorant before deliver city gas to customers such as households and factories.</p> <p>2 locations Number of LNG terminals</p>	 <h2>Supply</h2> <p>To ensure stable natural gas supply, Osaka Gas has been renovating processing facilities and building gas pipeline networks in accordance with meticulous plans. We have established a solid system monitoring gas supply in order that we can exercise safety and security measures 24 hours a day, 365 days a year in response to any emergency.</p> <p>Approx. 61,600 km Total length of gas pipelines extended</p>	 <h2>Sales and Consumption</h2> <p>In Japan, 60% of household energy such as electricity and gas is consumed for heating purposes, Osaka Gas is committed to further energy saving of its gas equipment and systems. We will also promote the use of CO₂-cutting and energy-saving systems, including high-efficiency gas air-conditioning systems and cogeneration systems, as a means of lessening impact on the environment at commercial and industrial customers' sites.</p> <p>Approx. 7.22 million households Number of meters installed</p>
Major issues to be tackled	<p>Global environment</p> <ul style="list-style-type: none"> Emissions of greenhouse gases (GHG) associated with energy consumption involved in drilling of gas resources Environmental nuisance and troubles caused during drilling of gas resources Impact on biodiversity in neighborhoods <p>Suppliers</p> <ul style="list-style-type: none"> Safety, sanitary conditions and human rights of workers employed by gas suppliers 	<p>Global environment</p> <ul style="list-style-type: none"> Emissions of GHG associated with energy consumption involved in operations of LNG tankers Environmental problems caused during operations of LNG tankers Impact of ballast water used by LNG tankers on biodiversity <p>Suppliers</p> <ul style="list-style-type: none"> Safety, sanitary conditions and human rights of crewmen working at LNG tankers 	<p>Global environment</p> <ul style="list-style-type: none"> Emissions of GHG associated with energy consumption at LNG terminals <p>Local community</p> <ul style="list-style-type: none"> Safety in the neighborhoods of LNG terminals Production-related problems caused by natural disasters <p>Employees</p> <ul style="list-style-type: none"> Safety, sanitary conditions and human rights of employees working at LNG terminals 	<p>Global environment</p> <ul style="list-style-type: none"> Drilling soil discharged during the laying of gas pipelines <p>Local community</p> <ul style="list-style-type: none"> Supply problems caused by natural disasters <p>Employees</p> <ul style="list-style-type: none"> Safety, sanitary conditions and human rights of employees laying gas pipelines 	<p>Customers</p> <ul style="list-style-type: none"> GHG emissions accompanying gas consumption <p>Customers</p> <ul style="list-style-type: none"> Accidents on the customers' due to usage of unsafe equipment Provision of appropriate information regarding products and services Protection of personal information of customers <p>Local community</p> <ul style="list-style-type: none"> Contribution to local communities via educational support and so on
Major steps taken	<p>A CSR survey was conducted on LNG sellers.</p> <p>Developing LNG is usually a long-term project that covers a period lasting for several tens of years. Osaka Gas believes it is important to obtain understanding from people living in the neighborhood of a project site by giving consideration to safety, sanitary conditions and human rights of workers and the environmental effect of implementing the project.</p> <p>Osaka Gas conducted a CSR survey on 11 companies selling LNG to us under long-term contracts, including PT Pertamina (Persero), of which I am in charge, as part of our efforts to grasp the possible effects of their operations on the environment.</p> <p>We will keep favorable ties with LNG sellers and secure a stable supply of LNG.</p> <div>  <p>Asami Takane Energy Resources & International Business Unit, Osaka Gas Co., Ltd.</p> </div>	<p>I was involved in the building of two energy-saving LNG tankers.</p> <p>When LNG tankers are operated, various factors need to be taken into consideration, including the safety of the crew and their human rights as well as emissions of GHG and marine diversity.</p> <p>I was involved in the task of examining the specifications of two LNG tankers whose construction was entrusted to Mitsubishi Heavy Industries. The fuel efficiency of the two tankers can be expected to be improved by more than 20% compared with conventional tankers due to the adoption of SAYAENDO type vessel which is instrumental in reducing the vessel's overall weight and air resistance during cruising. The vessels are equipped with a device that can appropriately process microorganisms in ballast water.</p> <p>By further promoting energy saving, we will transport LNG in a stable and efficient manner.</p> <div>  <p>Ryo Kodaiku Engineering Dept., Osaka Gas International Transport Inc.</p> </div>	<p>I am in charge of safe operation of processing facilities.</p> <p>Osaka Gas's LNG terminals gasify LNG while ensuring the safety of workers and people living in the neighborhood through safe management of processing facilities.</p> <p>LNG tanks set up at the terminals have a strong resistance against earthquakes. If LNG is leaked outside the tank in the event of an earthquake, foam liquid will flow from the dike to minimize the effects of the leakage.</p> <p>I am in charge of managing the operation of LNG facilities at the Senboku LNG terminal. I want to continue to play a role in ensuring a stable supply of city gas and promoting safe and efficient facility operations.</p> <div>  <p>Hiroko Oku LNG Terminal & Power Generation Business Unit, Osaka Gas Co., Ltd.</p> </div>	<p>Around-the-clock security service</p> <p>Osaka Gas has established an around-the-clock security system, aimed at delivering city gas to customers safely, steadily and at reasonable prices. Under the system, reports on gas leakage and other accidents are accepted 24 hours a day and 365 days. If customers report gas leakage, emergency security staff will be dispatched immediately from the nearest security base and work in cooperation with police and firefighters.</p> <p>I am a member of a security team engaging in emergency security. My highest priority in my business duty is ensuring the safety of customers in the event of gas leakage, which I am to achieve by acting on the "Three Security Principles"—assisting customers with evacuation, turning off the gas immediately and taking fire-prevention measures.</p> <div>  <p>Makoto Izuoka Pipeline Business Unit, Osaka Gas Co., Ltd.</p> </div>	<p>I propose energy-saving systems to customers.</p> <p>Osaka Gas develops and sells cogeneration systems and gas air conditioners at customers' sites to help reduce CO₂ emissions.</p> <p>I am in charge of marketing such equipment to customers in metals and mechanical engineering sectors.</p> <p>My main job is to propose an optimal energy system to those customers by accurately examining their energy consumption.</p> <p>By continuing to propose energy-saving systems, I want to contribute to reducing CO₂ emissions in society.</p> <div>  <p>Hirotoshi Nonaka Commercial & Industrial Energy Business Unit, Osaka Gas Co., Ltd.</p> </div>

CSR Charter

I Creating Value for Customers

We endeavor to ensure security and actively disseminate information so that customers can utilize our products and services safely and with peace of mind.

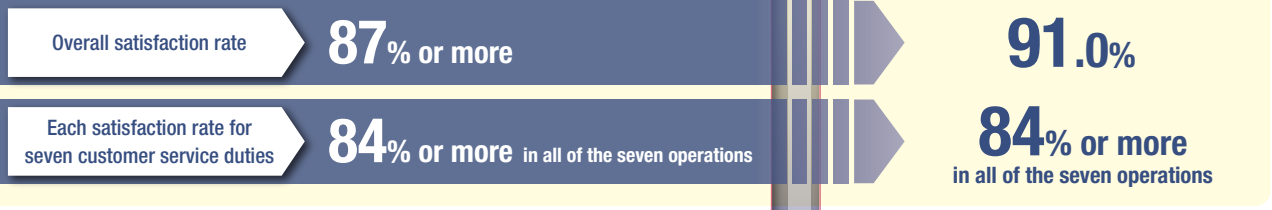


Plan Fundamental concept

The Osaka Gas Group is committed to making a positive contribution to realizing a higher level of comfort and development in the business activities of its customers through stable procurement and safe supply of natural gas and other energies, and ensuring of safe use of gas and equipment with an improved level of services for its customers. We believe that an important foundation in realizing this will be ensuring security so that customers can use energy without worry. We will endeavor to provide products and services that give utmost reassurance to safety and to take on the challenge of creating new value in line with customers' wishes in order to be a corporate group that continually evolves and develops alongside its customers.

Target CSR Indicator: Customer Satisfaction Survey: Seven Customer Service Duties

The "Customer Satisfaction Survey" covers seven operations that deal directly with customers: opening of gas lines, repair of gas appliances, regular security patrol (gas facilities inspection), response to telephone inquiries, sales of appliances, security emergency response, and replacement of gas meters upon expiration of the validity period. A questionnaire form is mailed out after the completion of each operation, and assessments of responded customers received are then analyzed. Customer satisfaction is graded on a scale of one to six, and "overall satisfaction rate" is the ratio of responses in the top two grades to the total number of responses.



Check & Act Toward the future

The Osaka Gas Group will endeavor to establish advanced safety and disaster-prevention systems in energy production and supply, do its utmost to educate employees regarding safety, penetrate gas appliances and services with enhanced safety systems and reflect the opinions of customers when reviewing its overall business operations and developing new products.

Do Major steps taken

- Various efforts to secure safety of customers as well as safety of gas production and distribution
- Customer satisfaction surveys conducted when undertaking duties involving customer contact
- Improvement of services reflecting customers' voices
- Multi-energy business developing toward broad area

Results

Osaka Gas has conducted a "Customer Satisfaction Survey" since FY1989 in a bid to enhance customer satisfaction with its service. The overall satisfaction rate was 91% in FY2015. The Group has been offering customer-oriented services based on their opinions shown in the survey.

Materiality Customer Health and Safety Major actions, management systems and its performance

Major actions As of the end of March, 2015

- Securing safety at customers' sites
 - ▶ Facilitate systems to response to reports and prepare resources for dispatching in case of accidents and disasters 24 hours a day, 365 days a year.
 - ▶ In accordance with laws, inspection of gas appliances for gas leaks, gas water heaters for air supply and exhaust function at customers' sites once 40 months (14 months at specific sites) are conducted. The visits to the customers are exploited as the opportunity for recommending installation of alarms for gas leaks for residential use and ventilation for commercial use, of which penetration rate are 51.6% and 99.3%, respectively.
- Preparation for disaster prevention
 - ▶ From our experience of the earthquake occurred in Kobe, we have made every effort to prevent disasters incurred by earthquakes. Those efforts include enhancement of safety function and measures in LNG terminals, replacement of old gas pipes with polyethylene pipes (PE) (approx. 14,600 km installed*), installation of intelligent meters that detect vibrations from the earthquake and shut off the gas supply, of which penetration rate reached 99%*.
 - ▶ Seismoscopic automatic gas shutoff devices set up in approx. 3,000 places* in our gas supply area is one of measures to prevent secondary damage from earthquakes.
 - ▶ Learned from disasters incurred by earthquakes in Tohoku region in 2011, we enhanced safety facility in LNG terminals and gas supply systems in order to prevent damages by tsunami.
- Securing safety of gas
 - ▶ At LNG terminals, quality of gas is monitored on a daily basis to be in accordance with the criteria determined in our guidelines based on the law. The amount of gas in the gas holders and pressures in gas pipelines are monitored in real time in the control rooms.

Materiality Product and Service Labeling Major actions, management systems and its performance

Major actions

- Actions for safety of gas and gas appliances at business duties involving contact with customers
 - ▶ On opportunities dealing directly with customers, which are listed in the following chart, actions were taken for improving safety of gas and gas facilities.

Duties dealing directly with customers	Actions for safety of gas and gas appliance
Opening of gas lines	After checking safety of gas facilities, explain safe use of gas and gas appliances using "Guidebook for safe use of gas."
Repair of gas appliances	After checking safety of gas appliances, explain safe use of specific gas appliances customers use.
Regular security patrol (gas facilities inspection)	Same as "Opening of gas lines."
Response to inquiries	Upon inquiry, explain related safety tips about gas and gas appliances.
Sales of appliances	Explain safety functions and safe use of gas appliances using users' manuals.
Security emergency response	Following securing safety of gas facilities or appliances, explain safe use of gas.
Replacement of gas meters upon expiration of the validity period	Following checking safety of gas facilities, hand over a "Guidebook for safe use of gas" to the customers.

- ▶ We voluntarily disclose information on our websites necessary for safe use of city gas we supply.

Management systems and its performance

Indicator	Percentage of city gas for which health and safety impacts are assessed for improvement against total city gas provided by Osaka Gas (G4-PR1)
Commitments	Osaka Gas is committed to ensuring the safety of city gas, our primary product, its secure supply, and safety of gas facilities—all by formulating "Gas Supply Clause" and "Security Rules" in line with the Gas Business Law.
Responsibilities	The Osaka Gas Group has established a system to ensure the safety of city gas and gas appliances in all fields of its city gas value chain (from processing, supply, and sales and consumption in the corresponding business units. The "Head of Safety" (Vice President) offers advice on inter-section and inter-district security.
Performance	In fiscal 2015, every procedure is conducted based on guidelines in accordance with laws and regulations as well as in-house rules in the processes such as quality control of gas in LNG terminals, safety inspection of gas pipelines and supply facilities, as well as gas appliances at customers consented.

Management systems and its performance

Indicator	Customer satisfaction rate for customer service duties including safety (G4-PR5)
Commitments	Osaka Gas has formulated rules and regulations, such as "Rules for Safety at Customers' Sites" and "Voluntary Action Plans for Product Safety" in line with the PL Law and the Gas Business Law. The company strives to improve safeness and service quality on each business dealing with customers.
Responsibilities	In order to proceed actions for improving customer satisfaction in a cross-sectional manner, in addition to the systems introduced in the above materiality issue, "Customer Health and Safety," the "Head of Service" (Head of Residential Energy Business Unit) appointed under the security system plays a role in maintaining and improving security and service quality.
Performance	We conduct surveys in order to evaluate whether the business duties dealing directly with customers met their expectation. 42,000 replies submitted by customers in fiscal 2015 shows overall satisfaction rate of 91.0%.

Efforts to Ensure Safety and Ease Customers' Worry

Ensuring stable LNG procurement and expanding business fields through diversification of supply sources

In 1972, Osaka Gas began importing LNG from Brunei as a means of diversifying procurement sources. At present, the company purchases LNG from eight countries—Brunei, Indonesia, Malaysia, Australia, Qatar, Oman, Russia and Papua New Guinea. It plans to embark on the Freeport LNG project in Texas, the United States, in 2018.

Osaka Gas plans to invest about 600 million U.S. dollars (about 72 billion yen) to construct the first of three trains planned at the Freeport LNG terminal, owned and operated by FLNG Liquefaction, LLC, for liquefaction. By undertaking the Freeport project and thus procuring natural gas in the United States at reasonable prices, Osaka Gas aims to increase product competitiveness while diversifying LNG supply sources and price indexes.



As-built drawing of Freeport LNG export terminal

Maintenance of gas pipelines

Osaka Gas, which delivers gas to its customers via pipelines, recognizes that it is crucially important to keep these pipes safe and properly maintained. We are constantly replacing old metal pipes with pipes made of polyethylene, which is highly durable and earthquake resistant.



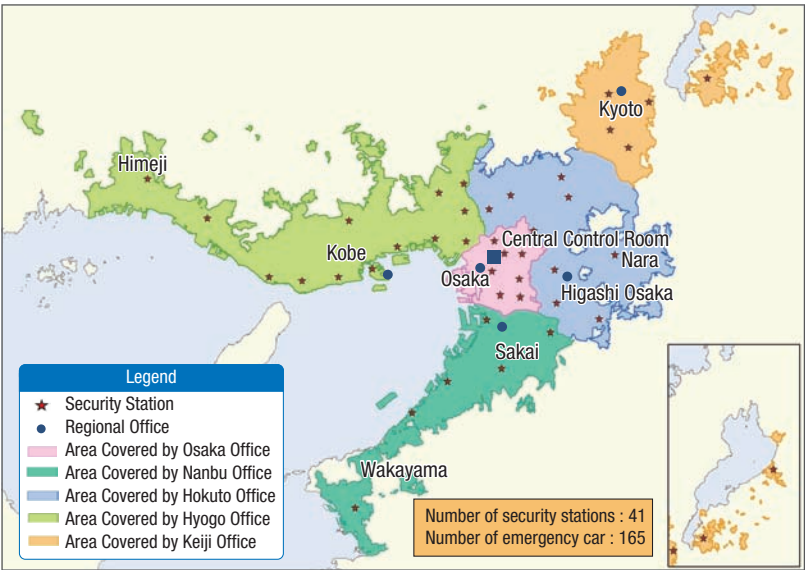
Pipelines made of polyethylene exhibit superior strength

Around-the-clock system to take accident calls and dispatch emergency staff

It is particularly important to establish an initial response system in the event of accidents and natural disasters, and act appropriately in response to such events. Osaka Gas has established a unified security system covering the entire supply area. Under the system, if gas leakage occurs, the Central Control room will take charge of all relevant duties, including receiving an accident report and dispatching security staff to the accident site. Specifically, the Central Control Room will order the dispatch of the emergency vehicle that can reach the accident site the fastest by taking various factors into consideration, such as availability of vehicles and their locations. The Central Control Room accepts emergency reports such as on gas leakage around the clock via a special phone system set up at the Room. After an accident is reported, emergency staff will be sent to the site immediately and work in close collaboration with local police and fire department.



Central Control Room (receiving accident reports)

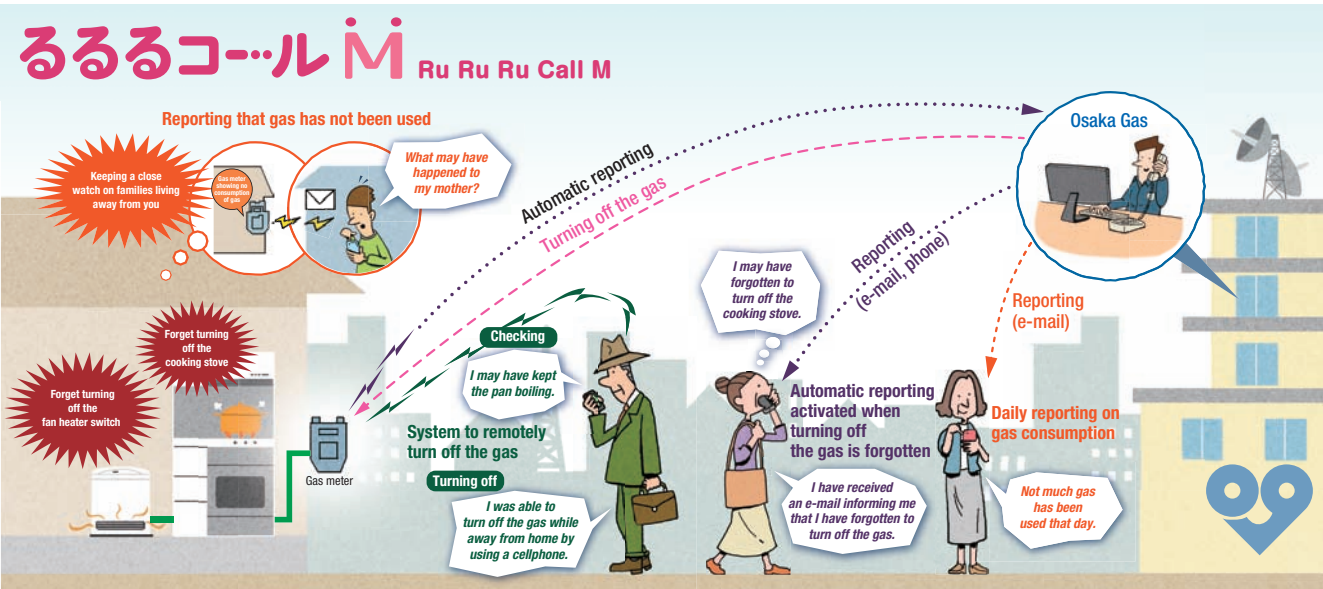


“Ru Ru Ru Call M” service operated through smartphones and other mobile phones to ensure the safety of gas appliances

Osaka Gas’s “Ru Ru Ru Call” is intended to monitor the use of gas at customers’ homes around the clock, using telecommunications lines, to make their livelihood care-free and safe. If any irregularity is detected, the customer will be informed of the problem and proper action will be taken. “Ru Ru Ru Call M,” the upgraded version, is operated using mobile phones including smartphones. If customers find after leaving their homes that they are not confident about having turned off the gas, they can confirm the status of the use of their gas appliances while away from home using smartphones and other mobile phones. If a problem is confirmed, they can shut off the gas supply using a remote control gas meter system operated by mobile phone. Under “Ru Ru Ru Call M,” customers are swiftly warned of gas leaks and other irregularities by e-mail. In addition, “Ru Ru Ru Call M” has a function in which if the customer’s home is found to have used no gas in the previous day, the registered person will be informed of the fact by e-mail. The service is intended to protect family members living in different places by keeping a close watch on the use of gas.



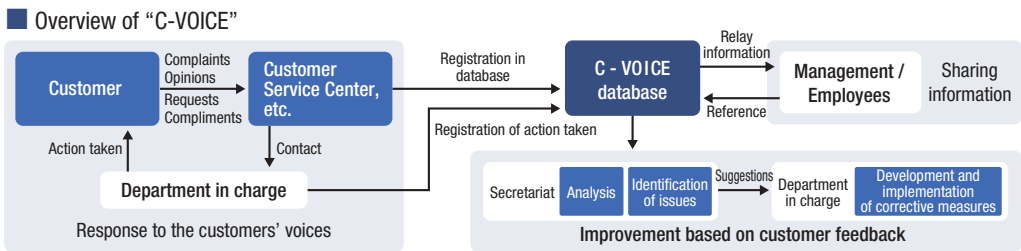
Photo showing how to operate the device used for the service



Efforts to Reflect Customers' Voices in Business

Customers' voices shared among all employees

Osaka Gas has established a database system called “C-VOICE” to share customer opinions and requests among all employees. The company has reflected such customer voices in its business operations, product development and service quality. Customers’ voices that reach the company daily, including both positive and negative comments, are classified by the end of each day to be submitted not only to relevant sections and departments but also to top management officials and all other employees. Osaka Gas has a policy of sharing all information about customers among all employees—not only facts and response to customers but also critical comments and complaints—as part of our efforts to devise preventive and business improvement measures, both of which are to be also shared among the employees.



Multi-Energy Business

Positioning the electricity business as the second most important business after the gas business

Amid diversifying customer needs for energy services due to the accelerated deregulation of the energy market, the Osaka Gas Group is acting as a comprehensive energy supplier to propose the best mix of energy sources, including natural gas, electric power, liquefied petroleum gas (LPG) and thermal energy, with the aim of enhancing value for customers.

In particular, we have been positioning the electricity business as the second most important business after the gas business. In fiscal 2010, the Senboku Natural Gas Power Plant (capacity: 1.109 million kW) went into operation as one of our key power plants. In Japan, we operate eight power plants in our IPP [\(2\)](#) business and wholesale power business, and we participate in five wind power projects and six solar power projects as part of our renewable energy [\(2\)](#) portfolio. For overseas IPP projects, we have invested in power plants in the United States and Australia.

These projects give Osaka Gas power sources totaling about 2.90 million kW—about 1.84 million kW in Japan and about 1.06 million kW overseas.

In order to increase the area of our liquefied natural gas (LNG) and city gas business, we have already concluded an agreement with Nippon Gas, Okinawa Electric Power and Shizuoka Gas to sell part of the LNG we purchase. In fiscal 2015, we struck an LNG sales agreement with Hiroshima Gas. In 2012, we began supplying LNG [\(2\)](#) to Okinawa Electric Power, following Nippon Gas in 2006.

Furthermore, two pipelines [\(2\)](#)—one between Mie and Shiga and the other between Himeji and Okayama—have opened. These are a network of pipes that contributes to ensuring stable supply of natural gas and stimulating gas demand further.

In the future we will continue to work with energy companies in other regions to expand our multi-energy business, including our power business, and offer a variety of energy solutions to customers.



Senboku Natural Gas Power Plant



Hallett 4 wind power project (Australia)

Power Generation Capacities of the Osaka Gas Group

In Japan

Total generation capacity: 1.84 million kW

Thermal power

Total capacity: 1.63 million kW

LNG terminal (Senboku and Himeji)
Torishima Energy Center
Nakayama Joint Power Generation Co., Ltd.
Nakayama Nagoya Joint Power Genration Co., Ltd.

Co-generation

Total capacity: 0.09 million kW

Energy Center (Uji, Settsu, Senri)

Renewable

Total capacity: 0.12 million kW

[Wind power]
Hayama, Hirogawa Myojin-yama and other 3 places
[Solar power]
Torishima and other 5 places

Overseas

Total generation capacity: 1.06 million kW*

Thermal power

Total capacity: 0.95 million kW

Tenaska Gateway Generating Station (U. S. A.)
Osaka Gas Power America (7 places in the U. S. A.)
Marianas Energy (Guam, U. S. A.)
Energy Infrastructure Investments (Australia)
Shuweihat S2 Independent Water and Power Project (Abu Dhabi, U. A. E.)

Renewable

Total capacity: 0.10 million kW

[Wind power]
Hallett 4 wind power project (Australia)
[Solar power]
Aurora solar power generation (Canada)

*Equity capacity owned by the Group (As of March 31, 2015)

Energy service business in Southeast Asia

The Osaka Gas Group aims to expand its overseas energy business. The Group established a Singapore subsidiary in March 2013 and a Thai subsidiary in October 2013 after taking into consideration various factors, including the possibility of building the value chain network envisaged by Osaka Gas, relations with local companies, country risks and business opportunities there. The Singapore subsidiary marked the first gas sale outside Japan by Osaka Gas. Osaka Gas had delivered natural gas to more than 40 industrial customers in Singapore as of April 2015. The project in the country began in August 2013.

In Thailand, Osaka Gas focuses on its energy service (ES) business*¹, utilizing its energy-solution know-how, which is based on the company's engineering strength associated with natural gas use. Between October 2013 when the Thai business started and April 2015, Osaka Gas received two orders for ES and four orders for equipment sales and consulting business. In July 2014, Osaka Gas and Nippon Steel & Sumikin Engineering Co. jointly created NS-OG Energy Solutions (Thailand) Ltd. The new company undertakes onsite business*² using the cogeneration system [\(2\)](#). It had received energy service orders from two customers as of April 2015.

^{*1} ES enables customers to introduce natural gas facilities without initial investment. All they have to do is pay energy consumption fees in accordance with the amount of energy use.
^{*2} Service in which the Osaka Gas Group sets up a cogeneration system on customers' sites or near their sites, and supplies electricity and heat there. The cogeneration system is operated and maintained by staff posted at the facility.

Proposals for Creation of New Value

Provision of information via “My Osaka Gas,” website for registered members

In 2009, we opened the “My Osaka Gas” website for household customers. The website is designed to enhance customer satisfaction and convenience. After customers sign up for the site, they can check their gas bills and service appointment dates online, as well as various contract information. New additions are an environmental accounting book service to check household CO₂ emissions and a function to download the instruction manuals for our gas appliances. Registered members also can access Website content on energy and energy saving and can participate in a lottery that presents various gifts after collecting points that are earned when they confirm gas bills. A mail magazine provides registered members with site renewal information and various news from Osaka Gas such as event campaign information.



“My Osaka Gas” website for registered members

Stakeholder Comment

Mr. Hideo Iida
Representative of organizers,
Council of the Kansai Consumers' Association

Osaka Gas, as a comprehensive energy business operator, continue to listen to customers' opinions and meet their expectations

Osaka Gas has been continuing to make strenuous efforts to launch challenging new business projects while promoting its policy of creating new value. Behind the stable gas supply and safety management in the gas business are Osaka Gas's daily efforts. However, such efforts have been part of the Group's routine work and little of it has been revealed to the general public. What we should take note of are the meticulously crafted plans to renew gas pipelines to keep them durable and strong against earthquakes, systems that ensure safe operations around the clock, and a mechanism for reflecting customers' opinions in business operations. Thanks to these efforts, customers can feel safe and secure when using gas. Osaka Gas's approach of taking on the challenge to enter the electricity business reflects the company's policy of building a comprehensive energy business, and this is encouraging to energy users. The company's electricity and heat-supply business operations along with its distributed energy supply business are likely to exploit new energy markets. We expect Osaka Gas, as an energy business operator supporting people's daily lives and corporate manufacturing activities, to engage in innovative business operations while listening to consumers' opinions and taking into account ethical factors [\(2\)](#).

CSR Charter

II

Harmonizing with the Environment and Contributing to Realizing a Sustainable Society

We contribute to the development of a sustainable society by the efficient use of energy and resources.



Plan Fundamental concept

Environmental conservation on a local and a global scale is an extremely important mission for the Osaka Gas Group, whose operations center on the energy business. In accordance with the "Osaka Gas Group Environmental Activities Policy" we established in FY2007, the Osaka Gas Group is lessening the environmental impact of its business activities through the provision of natural gas and other products and services. And through our business activities, we contribute to environmental improvement and the development of sustainable societies locally, nationally, and internationally by pursuing harmony with the environment and making efficient use of energy and resources.

Target CSR Indicator:
Environmental Management Indicator: Environmental Management Efficiency

Osaka Gas uses "Environmental Management Efficiency" as an indicator to assess progress in environmental management in a continuous, integrated manner. This indicator is the total monetary value of seven environmental impacts* per gas sold. The smaller the figure for environmental management efficiency, the greater the reduction in environmental impact per amount of gas sold.

*GHG emissions, NOx emissions, COD (chemical oxygen demand), final disposal of general/industrial waste, final disposal of excavated soil, chemical emissions, use of water supply and industrial water

Environmental Management Efficiency

Target for FY2017

58 yen/1,000 m³ or less

Do Major steps taken

- Reducing energy use and CO2 emission at LNG terminals and office buildings
- Reducing industrial waste at LNG terminals and gas pipe construction sites
- Promoting the proliferation of energy-efficient gas appliances such as gas co-generation systems at customers' sites
- Contributing to low-carbon society through developing innovative technologies

Results

By reducing energy use at LNG terminals and office buildings and making effective use of excavated soil generated when constructing pipes, "Environmental Management Efficiency" was 60 yen per thousand m³, indicating that we are making steady progress toward achieving our target for FY2017.

FY2015 performance was

60 yen/1,000 m³

Check & Act Toward the future

By reducing the amount of energy used through initiatives such as generating power by making effective use of LNG cold energy at LNG terminals and turning office buildings into "Green Gas Buildings," as well as by introducing fuel-efficient LNG tankers, we will further reduce GHG emissions stemming from the Group's business activities.

Materiality

Energy / Emissions

Major actions, management systems and its performance

Major actions

•Reducing CO2 emissions at LNG terminals

▶ At LNG terminals, we have been reducing the amount of energy consumed and the amount of greenhouse gases emitted by adequately operating and maintaining cryogenic power plant which is making effective use of LNG cold energy at LNG terminals.

•Reducing CO2 emissions at offices

▶ Osaka Gas Group has been promoting energy saving and CO2 reduction through "Green Gas Buildings" activities which reorganize the operations of its office buildings to be more energy-saving by adopting advanced energy-saving appliances and control-system, and reviewing overall facility operations at its office buildings when its buildings are rebuilt or renovated.

Management systems and its performance

Indicator

Amount of CO2 emissions at LNG terminals per unit gas sales
Amount of CO2 emissions at office buildings per unit floor space

Commitments

Osaka Gas Group is committed to promoting environmental activities on a group-wide basis by formulating "Osaka Gas Group Environmental Activities Policy" and "Rules for Environment Management Systems" in line with related environmental laws.

Responsibilities

In the Osaka Gas, a unified environmental management system (EMS) based on ISO 14001 is deployed across the company under the supervision of the "CSR Executive" (Vice President), and all employees work to reduce the environmental impact of business activities and ensure that environment-related laws and regulations are complied with.

In addition, the Osaka Gas Group's 74 domestic affiliates operate their own EMSs, such as ISO 14001, Eco Action 21*, and the "Osaka Gas EMS".

*EMS standard formulated by the Ministry of Environment.

Performance

In fiscal 2015, CO2 emissions at LNG terminals was 10.9 t-CO2 per 1 million m³ of gas sold and CO2 emissions at office buildings was 65.6 t-CO2 per 1000 m² floor space, indicating that we are making steady progress toward achieving our target for FY2017, respectively 12.3 or less and 74.4 or less.

Materiality

Effluents and Waste

Major actions, management systems and its performance

Major actions

•Reducing waste materials at LNG terminals

▶ At LNG terminals, we are endeavoring to reduce industrial waste emitted at maintenance construction sites and so on. Since the early 2000s we have been implementing a "Zero Emissions Project" and engaging in other activities to reduce industrial waste.

•Reducing CO2 emissions at gas pipe construction sites

▶ The Osaka Gas Group works to reduce the amount of road waste materials such as excavated soil and waste asphalt generated as a result of gas pipe installation. Ways to achieve this include the Vermeer method, which requires soil excavation of only two points, and the shallow pipe installation method. And we are making efforts to recycle road waste materials by our "Soil and Asphalt Recycling System" which is facilitating the reuse of waste asphalt and excavated soil as either regenerated roadbed material or improved soil.

Management systems and its performance

Indicator

Final disposal rate of industrial waste at Osaka Gas (G4-EN23)

Commitments

Responsibilities

Same as "Energy / Emissions" above

Performance

Final disposal rate of industrial waste at overall Osaka Gas in FY2015 was 1.3% and it indicates that we are making steady progress toward achieving our target of 2.0% for FY2017. From now on as well, we are strengthening 3R (Reduce, Reuse and Recycle) of waste materials.

Materiality

Environmental Grievance Mechanisms

Major actions, management systems and its performance

Major actions

•Response toward stakeholders' complaints through the environmental management system (EMS)

▶ In receiving complaints regarding environment, we construct a mechanism to respond them and solve them through the specific procedure designated by the environmental management system (EMS).

•Receipt of opinions and requests from stakeholders through "Customer Centers"

▶ Osaka Gas receives opinions and requests for our service from stakeholders such as community people, customer, etc. through our "Customer Centers." We construct "C-VOICE" system which is a database for gathering customer opinions and requests and sharing them across the company to improve our work processes, products and services.

Management systems and its performance

Indicator

Number of grievances filed, addressed and resolved about environmental impacts through the formal grievance mechanisms (G4-EN34)

Commitments

Responsibilities

Same as "Energy / Emissions" above

Performance

We responded to each environment-related complaint received through EMS and "Customer Centers."

CSR Charter II Harmonizing with the Environment and Contributing to Realizing a Sustainable Society

Energy-saving and CO₂-reduction Efforts

Environmentally-friendly new LNG tanker put into service

In November 2014, Osaka Gas put into service the fuel-efficient LNG VENUS for the transport of LNG (Liquefied Natural Gas), an essential material for city gas. LNG VENUS has become the seventh tanker of our fleet deployed for LNG transport.

Osaka Gas adopted new SAYAENDO type vessel, which was instrumental in reducing the vessel's air resistance significantly. The tanker also adopted a new steam turbine, improving fuel efficiency by more than 20% compared with conventional tankers. These features curbed the tanker's CO₂ emissions and transport costs. LNG VENUS is an environmentally-friendly tanker because it is helpful in reducing emissions of sulfur oxide and minimizing possible effects on the marine eco system.



LNG VENUS put in commission

Reduction of CO₂ emissions through expanded use of LNG cryogenic energy

Liquefied natural gas (LNG), the raw material of city gas, is approximately minus 160 degrees Celsius. When gasified, LNG generates "cryogenic energy," which has a cooling effect, by taking the heat from the surrounding air.

The Osaka Gas Group uses this cryogenic energy in a number of ways. For example, we freeze air to produce liquefied nitrogen and liquefied oxygen. We also freeze carbon dioxide to produce liquefied carbon and dry ice. During the gasification process of LNG, we also carry out LNG cryogenic power generation. In fiscal 2011, we began supplying LNG cryogenic energy for the cooling process of a petrochemical plant adjacent to an LNG terminal, thus contributing to energy saving and reductions of CO₂ emissions at nearby plants as well as at our own.



Facility for LNG cryogenic power generation at Senboku LNG Terminal

Company-wide activities to promote "Green Gas Buildings"

Since 2003, the Osaka Gas Group has been reorganizing the operations of its office buildings to be more energy-saving by implementing advanced energy-conservation measures and measures to reduce CO₂ emissions when its buildings are rebuilt or renovated. Measures include the installation of equipment to achieve higher energy efficiency, adoption of energy-control systems, and an overall review of facility operations at its office buildings. Some of those measures are chosen and implemented at office buildings of the Osaka Gas Group and its clients, which is called as the "Green Gas Buildings Project." As of August 2015, nine of the Group's business offices implemented the project.

In renovation of the Hokubu Gas Building (Takatsuki City, Osaka Prefecture) finished in June 2012, Osaka Gas incorporated a behavioral observation method into the building design process to further promote energy saving. The building was transformed into a smart energy building, which is aimed at reducing CO₂ emissions by observing and analyzing the tenants' behavior toward energy conservation. So far we have achieved energy savings in excess of the initially targeted 25%.



Hokubu Gas Building (Takatsuki City, Osaka Prefecture)

ENE-FARM home-use fuel cell cogeneration system

ENE-FARM is a high-efficiency energy system that generates electricity by a chemical reaction between hydrogen extracted from gas and oxygen in the air and effectively uses the heat generated in the power generation process for hot water supply and space heating. As of the end of FY2015, a total of 37,021 units (based on orders placed with our company) had been introduced, reducing our customers' CO₂ emissions by an estimated about 53,600 tons annually^{*1} (equating to the planting of about 3.86 million Japanese cedar trees^{*2}).

April 2014 saw the launch of remodeled ENE-FARM, a home-use fuel cell (polymer electrolyte fuel cell: PEFC (FC)) that has achieved a world-class (based on our survey) total efficiency of 95%^{*3}, and the new model ENE-FARM type S (solid oxide fuel cell: SOFC (FC)), a home-use fuel cell with a world-class (based on our survey) power generation efficiency of 46.5%^{*3}. We hope to continue helping customers cut their CO₂ emissions even further by promoting cost cutting and making their size compact.



ENE-FARM type S

^{*1} Estimate by Osaka Gas for a single-family house with a family of four, equipped with a gas water/space heater, a gas hot-water floor heating system (living room, dining room), an electric air conditioner (for heating/cooling rooms other than the living and dining rooms), a gas hot-water bathroom heater/dryer with mist sauna function, and a gas stove, with the gas water/space heater using ENE-FARM. CO₂ emission coefficients of 0.69 kg-CO₂/kWh of electric power (Interim Summary by the Target Attainment Scenario Subcommittee, Global Environment Group, Central Environment Council, July 2001) and 2.29 kg-CO₂/m³ of gas (Osaka Gas data) were used.

^{*2} CO₂ absorbed by a cedar tree: 13.9 kg-CO₂/tree annually (from 1997 Forestry White Paper; 50-year-old Japanese cedar with a diameter of 26 cm and a height of 22 m)

^{*3} Lower heating value standard

Floating solar power plant in full-scale operation in Ono City, Hyogo Prefecture

Energy Bank Japan Co., belonging to the Osaka Gas Group, worked with a local community group in Ono City, Hyogo Prefecture on a project to build an approximately 850 kW floating solar power plant on an agricultural pond. The plant started full-fledged operations in September 2014, generating approx. 1 million kWh of electricity averaged in 20 years, which is equal to the power consumed by about 275 general households annually.

Energy Bank Japan built a business model to sell electricity generated by solar power plant which was floated on an agricultural pond (about 36,000 m²) by utilizing its unique finance scheme. The local community group rents out the project site, maintains and manages the site, and conducts daily checks on the solar power generation system.

Energy Bank Japan will conclude a power sales agreement under the feed-in tariff scheme, and will pay rent for the site to the community group, using revenue earned through power sales.



Facility for floating solar power generation system in Ono City, Hyogo Prefecture

Reducing CO₂ emissions at various social events to zero in cooperation with local companies and municipalities

Osaka Gas has been working on reducing CO₂ emissions by promoting the introduction by customers of highly energy-efficient gas appliances, such as natural gas boilers and gas cogeneration systems (FC). The Company has been teaming up with local companies and local governments to reduce CO₂ emissions under the J-credit system^{*1}, in cooperation with local companies and local governments. Osaka Gas has been endeavoring to reduce CO₂ emissions at various events to zero using the carbon-offset system^{*2}. Under the credit system, Osaka Gas achieved zero CO₂ emissions at various events in cooperation with other companies, including sports events sponsored by the Mainichi Newspapers and so on.

In fiscal 2015, CO₂ totaling about 3,500 tons was cut through events held by local municipalities in cooperation with Osaka Prefecture and Hyogo Prefecture.

^{*1} The J-credit system is designed to curtail CO₂ emissions in Japan by having major companies buy credits earned by small and medium-sized companies in exchange for introducing highly energy-efficient appliances.

^{*2} The carbon-offset system is designed to offset CO₂ and other greenhouse gases (carbon) emitted by households and companies with investments in measures to reduce carbon emissions, such as energy saving, afforestation and forestry preservation.

CSR Charter II Harmonizing with the Environment and Contributing to Realizing a Sustainable Society

Efforts to Save Resources and Promote Biodiversity

About 90% of used gas appliances recycled

Osaka Gas is promoting the recycling of used gas appliances. In the fiscal year through March 2015, the Company recollected 1,790 tons of used gas appliances. Of the total, about 90% was recycled into metal. Of used gas appliances, gas air conditioners for household use and clothes dryers are collected and recycled in line with the Home Appliance Recycling Law, enforced in April 2001. In FY2015, about 193 tons of gas air conditioners for household use was collected and 89% of it was recycled, higher than the minimum mandatory recycling rate of 70%. The amount of clothes dryers collected during the same year came to about 14 tons, 85% of which was recycled, far above the mandatory recycling rate of 65%.



Hot water dispenser and iron used in the product, which is to be recycled into other materials.

Copper and electrical wiring, both of which are to be recycled into other materials


Effective utilization of culled wildlife as food resources

Venison has become popular recently. However, many hurdles need to be cleared for deer to be recognized as an important food resource. In Japan, eating venison is far from customary. In the country, deer are currently considered pests because they cause serious damage to crops and are periodically culled, with most of the meat being discarded.

Since 2012, Osaka Gas has been holding cooking classes on how to serve venison jointly with the Wildlife Management Research Center, Hyogo. In fiscal 2015, one class was held on March 21, 2015 at “hu+g MUSEUM,” a showroom of Osaka Gas, with a total of 50 people, mainly related to restaurants and sports, attending. One of the participants was quoted as saying, “I could eat venison without any problem because there was not the strong smell I had expected.” Another participant said, “I found that venison is nutritious.”

Technological Development of Osaka Gas Group

Participation in hydrogen station demonstration projects and construction of commercial hydrogen filling stations

Osaka Gas installed its hydrogen station  for the first time in Japan at its Torishima site in fiscal 2002, marking the start of its research and development of fuel cell vehicles (FCVs).

Since then, the Company has periodically participated in hydrogen station demonstration projects undertaken by the Ministry of Economy, Trade and Industry and the New Energy and Industrial Technology Development Organization (NEDO). In April 2015, Osaka Gas opened a hydrogen filling station, called Kita-Osaka Hydrogen Station, at the premises of a natural gas station in Ibaraki City, Osaka Prefecture, to supply hydrogen to general FCV users.

Installed at Kita-Osaka Hydrogen Station is the HYSERVE-300, hydrogen-producing device, which has been commercialized by us and is capable of making 300 m³N of hydrogen per hour using city gas as materials.

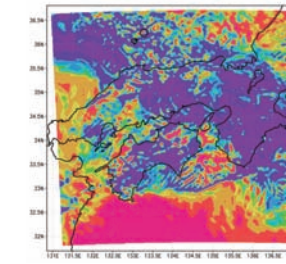


Kita-Osaka Hydrogen Station (Ibaraki, Osaka)

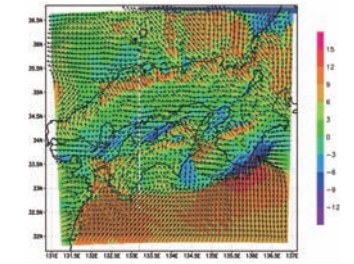
Use of a weather simulation model to forecast energy demand and support operations of renewable energy systems

The consumption of energy like electricity and gas, and the amount of electricity generated through natural energy sources, such as solar power and wind power, are greatly influenced by weather conditions, prompting Osaka Gas to step up developing and making use of weather simulation technologies.

Osaka Gas operates Weather Research Forecasting (WRF), a weather simulation model developed by a U.S. research laboratory, while combining it with the Japan Meteorological Agency's Grid Point Value (GPV) data. The Company limits the use of the WRF to narrower regions and forecasts their weather several hours to several days ahead. By operating the WRF in such a manner, Osaka Gas can obtain more accurate and detailed weather data than expected under normal weather forecasts. This weather simulation model has wider applications, such as in forecasting energy demand and supporting operations of systems to use natural energy sources in a more efficient manner. The simulation model is expected to be instrumental in saving energy and reducing CO₂ emissions in society.



Example of weather simulation (amount of sunlight)



Example of weather simulation (wind velocity)

Development of fluorine cellulose that can be used as materials of heat-resistant resin fillers (resin-reinforcement fibers)

Osaka Gas has developed fluorine cellulose by applying fluorine derivatives to the surface of cellulose fibers for chemical reaction.

Cellulose is the most abundant biomass material on earth. It is a main component of wood and paper. Cellulose fibers are five times lighter than steel but are five times stronger than steel. The coefficient of thermal expansion of cellulose fibers is one-50th the coefficient of glass, which makes them a major candidate to replace glass fibers as heat-resistant resin fillers (resin-reinforcement fibers).

Cellulose fibers' use as resin fillers had been considered difficult because they have a strong affinity with water, which makes it difficult to be mixed with resins that do not have an affinity with water.

Osaka Gas has, however, solved this problem by developing fluorine cellulose that has no affinity with water. This fluorine cellulose is derived from biomass and can be easily mixed with such resins as polylactic acid, resulting in their use in materials of home appliances and automobile structures as energy-friendly resin fillers.



Fluorine cellulose


Stakeholder Comment





Dr. Koji Shimada

Professor, Department of Economics
at Ritsumeikan University

It is expected that Osaka Gas further develops new products and services while curbing greenhouse gas emissions

It is important for Osaka Gas to take adequate measures to reduce energy consumption and greenhouse gas  emissions in light of their expected increase as a result of group companies expanding their power generation businesses.

Osaka Gas should collaborate more with stakeholders in developing new products and services in view of the great role being played by energy users in promoting fuel conversion and curbing greenhouse gas emissions via energy saving. Osaka Gas should also take into consideration the possible effects on biodiversity from the ballast water  used by LNG  tankers. In the future, the company should join hands with suppliers in exploiting natural resources as it expands overseas. The company should also step up its environmental assessment and environmentally-friendly management in all business stages including extracting, transportation and manufacturing of gas.

CSR Charter II Harmonizing with the Environment and Contributing to Realizing a Sustainable Society

Environmental Impact of City Gas Value Chain (FY2015)

Throughout its city gas value chain

Osaka Gas makes various efforts to reduce environmental impact by its business, including cutting GHG emissions and waste discharges.



CSR Charter



Being a Good Corporate Citizen Contributing to Society

We are continuing to utilize our unique assets to contribute locally in terms of living, the environment and the community.



Plan Fundamental concept

The Osaka Gas Group conducts business rooted in communities, and its business cannot succeed without good relations with these communities. Actively disclosing information to promote better understanding of our business is a matter of course, and we are engaged in social contribution activities on the topics of living, the environment and the community. We are making dynamic use of the Osaka Gas Group's assets to undertake efforts based on our "Small Light Campaign" underway for more than 30 years to contribute to the growth of local communities and also boost the pride of our employees.

Target CSR Indicator:
Number of Communication / Social Contributions Events

"Number of events (on-site dietary and energy / environment seminars, etc) held" is the number of events featuring educational activities about energy / environment and food / fire; "Number of contacts" is the number of visitors to the Gas Science Museum and the Himeji Gas Energy Hall, and the "Number of events held" (for social contributions) is the number of social contribution activities implemented by our sports clubs and other initiatives.



Check & Act Toward the future

As we work towards realizing the development of attractive communities where anyone would love to live, we are not only gaining as much understanding as possible with regard to how communities are involved with the development and impact of projects, both in Japan and overseas, but also developing activities to encourage better dialog with local communities and a collaborative approach to solving local problems and providing job opportunities.

Do Major steps taken

- Cooperation with local communities through promotion of the "Small Light Campaign"
- Held educational events regarding environment and food for next generation
- Continuous support for senior citizens and youth by Osaka Gas' Foundations
- Systems to accept and handle complaints from the local community

Results

For fiscal year 2015, in addition to educational activities about energy / environment and food, we also carry out educational activities about disaster prevention for the next generation. We also developed social contribution activities that only the Osaka Gas Group can provide, such as the baseball and track educational programs by athletic clubs, and storytelling theatre.

Materiality Local Communities Major actions, management systems and its performance

Major actions

- "Small Light Campaign" initiative
 - ▶ Since 1981, Osaka Gas Group has been continuing to providing support to disaster areas, assistance to people with disabilities for over 30 years.
- Contribute to healthy growth of youth
 - ▶ We provide educational activities to the youth regarding energy / environment, food / fire, and disaster prevention.
- Generating local values
 - ▶ Making use of our operating bases, we contribute to revitalizing local societies by generating local values in collaboration with local governments, local communities, NPOs and social designers.

Management systems and its performance

Indicator Percentage of operations with implemented local community engagement, impact assessments and development programs (G4-S01)

Commitments

Based on the "Osaka Gas Group Code of Conduct", we care about the issues faced by society and strive to contribute to the local community recognizing what we are expected as a member of the society.

Responsibilities

The "CSR Committee" has set up a "Social Contributions Subcommittee" to deliberate and report on multidisciplinary social contribution activities within the Group. In the Regional Co-Creation Division, we have set up regional, multidisciplinary activity planning, with each individual business operation taking advantage of the larger network to move forward with activities in its area.

Performance

In fiscal 2015, all major business locations held various activities tailored to local stakeholders' needs.

Materiality Grievance Mechanisms for Impacts on Society Major actions, management systems and its performance

Major actions

- "Customer Centers"
 - ▶ Our local "Customer Centers", as well as "Internet Reception" on the web, function as a comprehensive contact center to provide one-stop service for stakeholders such as local residents and customers who wish to convey their opinions or requests to us.
- Improving level of service utilizing "C-VOICE" system
 - ▶ "C-VOICE" is a database for gathering customer opinions and requests and reports those to the management and all employees on a daily basis. It is also used as a database for actions taken and improvement of services responded to the customers' voices.

Management systems and its performance

Indicator Number of grievances filed, addressed and resolved about social impacts through the formal grievance mechanisms (G4-S011)

Commitments

Based on the "Osaka Gas Group Code of Conduct" and the "Customer Service Work Rules," we work for assessing the impact of our business activities to the society.

Responsibilities

We are making efforts to improve accessibility of contact centers, such as "Customer Centers," so that local residents and customers can easily convey their opinions or requests to us. Under "Head of Customer Services" (Head of the Residential Energy Business Unit), there is a head of Business Unit responsible for customer service and a person in charge for customer service at each business operation and they use the "C-VOICE" data base system to discuss and determine improvement measures for complaints or grievances.

Performance

Each complaint and grievance carried through contact points including "Customer Centers" and "Internet Reception" was handled and responded.

CSR Charter III Being a Good Corporate Citizen Contributing to Society

As a Good Corporate Citizen

Bazaar to assist persons and communities afflicted by the Great East Japan Earthquake

The "Midosuji Tohoku Reconstruction Assistance Bazaar" was held jointly with Resona Bank, Ltd. over two four-day periods in May and October 2014 to assist persons and communities afflicted by the Great East Japan Earthquake, and this effort ended on a high note.

As with previous bazaars, fishery products, confectionaries, and general merchandise made in Tohoku were displayed for sale all along the Head Office of Osaka Gas, and numerous persons stopped by. We worked together with people who opened shops to promote their products. Marketing efforts made for the bazaar including preparing and putting up various original posters. The total sales for 2014 amounted to 1,253,892 yen. The money raised through sales and contributions at the bazaar venue was donated to the Ashinaga Scholarship Society to be used in the operation of a "Tohoku Rainbow House," a mental health-care center for orphans of the Great East Japan Earthquake.



"Midosuji Tohoku Reconstruction Assistance Bazaar" crowded with many people

"Hajimaru-kun" providing job assistance and IT support for the handicapped

"Hajimaru-kun", a social contribution activity begun in 2009 by OGIS-RI Co., Ltd., an information service company belonging to the Osaka Gas Group, to provide job opportunity and IT support for the disabled. As of the end of March 2015, a cumulative total of 1,513 PCs have been delivered to 986 facilities and groups supporting handicapped people.

"Hajimaru-kun" collects used PCs as well as donations (to cover the actual recycling costs, etc.) from supporting companies and groups, cleans up these PCs at welfare workshops, and then donates them to welfare facilities and other recipients. At present 19 companies and four groups are supporting this program, and the PCs recycled at 11 welfare workshops, totaling 483 units, were donated to 323 welfare facilities and civic groups in FY2015.



The disabled works with a help from staff giving lectures

Working for the Wellbeing of Children

Promotion of education on energy and the environment, food, fire and disaster prevention for next generations

The Osaka Gas Group offers children in its service area educational programs, focusing on energy and the environment, food, fire use, and disaster prevention. This is designed to enhance children's "ability to live" in society by holding various classes because they are to play a leading role in society in the future.

Classes on energy and the environment have drawn favorable reaction from children who attended them, who commented that they could learn about issues related to energy and the global environment through science experiments, games and cooking. By the end of March 2015, a total of 274,865 children participated in the classes, which were conducted in the form of educational staff being dispatched to where children were. Food education classes, conducted under the slogan of "Nurturing healthy youth through food," feature cooking classes and food seminars. The "Food Education Book" was also compiled and a total of 160,000 copies had been distributed to children. At fire education classes, children learned how to start a fire safely and how to use fire in cooking, both through hands-on experience.

In fiscal 2015, Osaka Gas started distributing educational materials on disaster prevention, called "Let's think about disaster prevention," to primary school students as part of next-generation education menu. The materials, aimed to raise children's ability to think about natural disasters, have been compiled against the background of increasing awareness among people of the importance of disaster prevention and disaster education following the devastating disaster that hit eastern Japan in March 2011. The materials are designed mainly for fifth and sixth graders. As of the end of March 2015, about 23,000 copies had been distributed to children. An additional 2,500 copies prepared for teachers had been also distributed.



Educational materials (left) and its instructor's manual (right) for disaster prevention education prepared for primary school students (fifth or sixth graders).

Communication with the Community

Creative activities via a laboratory set up to study the attractiveness of urban cities

Osaka Gas's Research Institute for Culture, Energy and Life (CEL) opened a laboratory at Knowledge Capital of Grand Front Osaka on the north side of JR Osaka Station in May 2013 to study the attractiveness of urban cities. Located in a very convenient urban area where many people are expected to gather, the laboratory is intended to disseminate study results of CEL to the general public and exchange information with it.

In the year through March 2015, CEL opened a series of workshop for helping discover attractiveness of Kansai region. In addition, we opened a seminar on energy and culture to promote discussion with the audience on our experimental housing complexes. Three meetings of the seminar series were held based on reports on the results of the experiments and information provided by researchers on relevant issues.

Other activities of CEL include sponsoring panel discussions jointly with universities and holding study meetings on various issues, both aimed at promoting research activities, disseminating information to the public and building research networks.



Salon area of laboratory set up to study the attractiveness of urban cities

Foundation Activities

Welfare projects and research subsidy by the Welfare Foundation, and projects by the International Exchange Foundation to develop human resources

The Osaka Gas Group Welfare Foundation was created in 1985 with donations from Osaka Gas Group companies. The foundation's two major goals are subsidizing welfare activities for elderly people, including research activities, and supporting health-enhance projects for elderly people in Kansai region. In FY 2015, 103 welfare projects and 17 research projects were subsidized, worth 12.39 million yen and 14.48 million yen, respectively. As for health-enhance projects, 206 events were conducted in which a total of 16,045 people participated.

An industrial human resource development project for the Democratic Republic of East Timor-Leste was launched by Osaka Gas, the Osaka Gas Foundation of International Cultural Exchange and the Japan International Cooperation Agency (JICA) in fiscal 2013. In fiscal 2015, the third year of the project's inception, a combined scholarship of 1.22 million yen was granted to 20 students studying at the Faculty of Engineering, Science and Technology, the National University of Timor-Lorosa'e. The welfare foundation also subsidized a short-term training program for two teachers from the same faculty of the East Timor university. Under the program, the two teachers learned about Osaka Gas's technological expertise in the energy field and received educational training on the matter. Osaka Gas will continue to contribute to the development of East Timor while playing a role in strengthening friendly ties between Japan and East Timor.

Stakeholder Comment



Ms. Kaori Kuroda
Executive Director of CSO Network Japan

Osaka Gas is expected to promote regional contribution and CSR activities under its value chain network

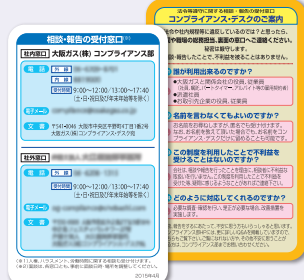
The Osaka Gas Group has been promoting communication with society not only through its primary business operations but also through social contribution activities. We want the company to engage in its energy operations, undertake disaster-prevention activities and promote environmental education, all in a more effective and comprehensive manner, while taking advantage of its close links with local communities. Meanwhile, at a time when Osaka Gas's business operations have become globalized, it has become common to think that local communities for Osaka Gas include regions covered under its value chain network. In the LNG and gas appliance value chains, the Osaka Gas Group has already been promoting CSR procurement in cooperation with suppliers. It is likely to become even more important for Osaka Gas to promote CSR activities that reflect the entire value chain network, including giving consideration to local people and contributing to their interests in resource development, and CSR procurement under the supply chain network of gas appliance makers.

CSR Charter

IV

Complying with Laws and Regulations and Respect for Human Rights

We are aiming as a company to be regarded as a trustworthy member of society known for our decent behavior.



Plan Fundamental concept

Based on our notion that compliance extends beyond just following laws and regulations to include exhibiting decent behavior as a member of society, we endeavor to maintain fair and honest relations with customers, business partners, and all other parties, and to respect human rights. Ensuring compliance is the most important thing we can do to gain the trust of customers and the society, and we believe it to be the cornerstone of staying in business. Recognizing that individual employees are the key to compliance, we are continually conducting training sessions and employee surveys to raise awareness.

Target CSR Indicator:
Scores on compliance awareness / Percentage of employees receiving "Compliance Training"

We have been using the following three perspectives as key indicators to promote compliance.

- (1) **Understanding level of "Code of Conduct"**
Does each and every employee understand the "Osaka Gas Group Code of Conduct," which serves as the foundation for our compliance?
 - (2) **Penetration level of compliance in the organization**
Do employees recognize that compliance awareness permeates throughout their organization?
 - (3) **Percentage of employees receiving "Compliance Training"**
Are trainings effectively implemented?
- As for indicators (1) and (2) above, the Osaka Gas Group aims to obtain higher scores than in the previous year in the compliance awareness surveys that it has been conducting since fiscal 2004 to measure the degree of its penetration. Concerning indicator (3), we work to ensure that all employees receive "Compliance Training."

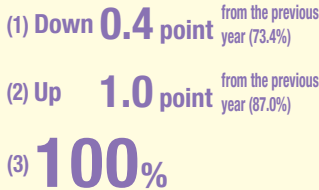


Do Major steps taken

- Ensured that all employees receive "Compliance Training" and compliance awareness surveys are continuously conducted
- Enhanced efforts for protection of personal information and prevention of information loss
- Set up of contact point and responded to the voices from local communities

Results

The latest survey showed that the degree of understanding by employees of the "Osaka Gas Group Code of Conduct" declined from the previous year while employees recognized that compliance awareness penetrated more among them compared with the preceding year. Meanwhile, the percentage of employees receiving "Compliance Training" reached 100% following all-out efforts by Osaka Gas organizations and Group companies to provide tailored trainings that reflect each party's situation and their follow-up efforts on employees who had yet to receive such training.



Check & Act Toward the future

We will work so that awareness of compliance will be penetrated among all employees. We will have a more global perspective when we operate our supply chain networks, such as respecting human rights, along with the expansion of its overseas business operations.

Materiality Customer Privacy Major actions, management systems and its performance

Major actions

- **Set up systems to protect personal information**
▶ Enhanced systems to protect personal information include improvement of information management systems, reviews in PDCA of risk management, periodical audit, sharing cases of information losses as well as intensive checkup on a company-wide basis.
- **Awareness raising trainings for employees**
▶ All employees with access to an Osaka Gas computer, including part-time and temporary employees, are obliged to take e-learning course, in addition to the "Compliance Training" for employees.

Management systems and its performance

Indicator	Total number of substantiated complaints regarding breaches of customer privacy (G4-PR8)
-----------	--

Commitments

In accordance with the "Osaka Gas Group Code of Conduct" which incorporated code of conduct and guidelines concerning the handling of private information set by the Ministry of Economy, Trade and Industry and the Japan Gas Association, we strive to ensure safety regarding the privacy of customers abiding by in-house rules, such as "Rules for Personal Information Protection," "Privacy Policy," "Manual for Handling Personal Information."

Responsibilities

The vice president in charge of the General Affairs Department is appointed as the Chief Privacy Officer (CPO). Placed under the vice president are "Personal Information Managers," who supervise Business Units, the Human Resources Department, Osaka Gas-affiliated companies and contractors working for Osaka Gas. This "Personal Information Protection Structure" is designed to manage personal information adequately and prevent its leakage. As part of its risk-management efforts, Osaka Gas has conducted inspections of its business operations on a periodical basis. When the case of information loss is detected, Osaka Gas conducts company-wide inspections and strengthens preventive measures as well as sharing relevant case among all employees.

Performance

Upon the case of loss of document including personal information in April 2014, we implemented thorough instruction of rigorous management of information combined with reviews of work processes to prevent recurrence.

Materiality Human Rights Grievance Mechanisms Major actions, management systems and its performance

Major actions

- **Response at "Customer Centers"**
▶ Osaka Gas' "Customer Centers" receive inquiries requests regarding our services and appliances from customers and local residents. Reports of such opinions and requests gathered at various business opportunities are shared on a daily basis among not only responsible management and business division but also all employees by an in-house system "C-VOICE." The system also functions as a hub for sharing information such as the fact of and response to the cases, as well as measures to prevent recurrence and improvement of work processes responded to grievances and complaints.
- **Desks for consultation**
▶ Consultation and inquiries regarding human rights from employees are received at the desk in the Human Resources Dept., while the "Compliance Desks" responds to consultation and inquiries regarding issues on compliance to the laws, regulations and in-house rules.
▶ For making easier to access the desk, information on the "Compliance Desks" are provided via the intranet, in addition to a card on which such information are printed are distributed to each employee and temporary worker of the Osaka Gas Group. Also, the posters for notifying the "Compliance Desks" are displayed in every office.

Management systems and its performance

Indicator	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms (G4-HR12)
-----------	--

Commitments

We pledge to respect the human rights of customers, local community members and workers under our value chain networks in the "Osaka Gas Group Code of Conduct" which incorporated essence of the Universal Declaration of Human Rights and the United Nations Global Compact.

Responsibilities

The "Customer Centers" are open to local community members and customers for receiving grievances and complaints on human rights. For employees and temporary workers of the Group, the "Contact Window regarding Human Rights Issues" established at the Human Resources Department and "Human Rights Awareness Promotion Leaders" are posted at each Business Unit and major affiliated companies. In addition, we also set up "Compliance Desks" at Osaka Gas' headquarters, major affiliated companies and outside law firms representing Osaka Gas to receive reports and offer consultations regarding compliance issues on law and in-house rules.

Performance

Each complaint and grievance received by the "Customer Centers" and the "Compliance Desks" was appropriately responded.

CSR Charter

IV

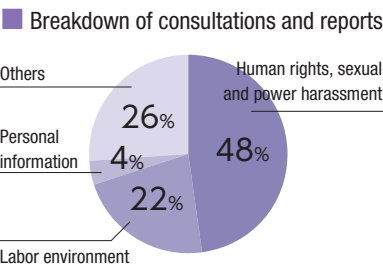
Complying with Laws and Regulations and Respect for Human Rights

Compliance Desk

Reporting channel at head office, core affiliates, and law offices

The Osaka Gas Group has established “Compliance Desks” at the Head Office, core affiliates, and law offices outside the company to provide a channel for persons who need a place to seek advice on, and report matters of compliance with laws and internal rules. Not only executive officers and employees of the Group, but also executive officers and employees of business partners and temporary workers can seek advice or make reports by phone, email, or in writing anonymously.

Responded to 80 consultants and reports in FY2015, we investigated issues when required, and then implemented corrective measures and efforts to preventing recurrence, if necessary.



Compliance Promotion Efforts

“Compliance Training” held at each organization and each affiliate

In fiscal 2015, the Osaka Gas Group continued to hold training and education sessions for section chiefs or higher-ranked employees at each organization and each affiliated company while education sessions for employees in managerial positions and for newly employed workers were also held. In addition, compliance training sessions were held under the leadership of each organization and each affiliated company. As a result, the rate of employees receiving such compliance-related training sessions came to 100% of all Osaka Gas Group management and employees, a goal set under the Group’s “CSR Indicators.”

In particular, we helped “Compliance Coordinators and Staffs” who play a key role in carrying out compliance activities at Osaka Gas organizations and affiliates. Specifically, we help them acquire knowledge and improve their skills on compliance by providing the information that is necessary for the promotion of compliance at workplaces and the holding of seminars aimed at reconfirming the importance of an internal reporting system. We are committed to continued efforts to increase awareness among all employees of the importance of compliance.



Seminar for “Compliance Coordinators and Staffs”

Efforts to prevent recurrence of wrongdoing

Osaka Gas confirmed on April 15, 2014 that application forms presented by 100 customers regarding the eco-point campaign for promoting a “double” power generation system combining both solar power and gas cogeneration had been lost. The application forms contained private information of customers. Inquiries to all customers whose application forms for the campaign were lost revealed that there is no evidence showing their data were used by third parties illegally. However, Osaka Gas took the incident very seriously in light of its policy of giving priority to protection of private information. The company decided to enforce thorough review of its business operations and efforts to prevent recurrence of such an incident.

In April 2014, Osaka Gas Community Life Co., Ltd. (OGCL), a company belonging to the Osaka Gas Group, received a reprimand from the Ministry of Land, Infrastructure, Transport and Tourism for illegal obtainment of money involving an employee (who has since been dismissed). OGCL’s business had been suspended due to the scandal. Following the incident, the Osaka Gas Group did all it could to regain the public’s trust in it. However, it was also found in October 2014 that another OGCL employee embezzled money from an association in charge of managing funds deposited by residents of two condominiums whose management work has been consigned to OGCL. The employee has been fired.

We sincerely apologize for causing such incidents. The Osaka Gas Group took the two incidents very seriously and is committed to preventing similar wrongdoing by educating all employees while strengthening internal controls regarding compliance.

Holding case-method training programs to enhance corporate ethics

Since fiscal 2013, Osaka Gas has been holding compliance training incorporated case method training programs. Approximately 10,500 employees participated in these training programs in fiscal 2015.

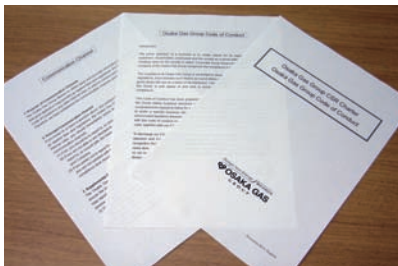
The case method is a teaching approach that develops the ability of ethical thinking. Trainees are presented with cases that include ethical dilemmas and thus involve difficult judgments, and discuss to discover and analyze problems and to make decisions. We believe that the promotion of training using the case method will help improve the ethical standards of employees and create a workplace climate characterized by open communication in which employees can freely exchange views.



Case method training

Promotion of global compliance in step with overseas business operations

In view of expanding business operations abroad, Osaka Gas has prepared an English version of the leaflet compiled for dissemination of the “Osaka Gas Group Code of Conduct” at overseas offices. The leaflet contains information included in the “Osaka Gas Group CSR Charter,” the “Osaka Gas Group Code of Conduct” and a contact for the use of the internal reporting system. The leaflet has been handed out to employees. We will continue to work on disseminating what has been contained in the leaflet to increase employees’ awareness of the importance of abiding by compliance.



English version of leaflet

Action on Human Rights

Conducting human rights training at all levels

In addition to soliciting suggestions for human rights mottos and engaging in other educational activities, the Osaka Gas Group conducts human rights training sessions tailored to executives, managers, and new employees. For example, training for new managers addresses specific case studies in light of current human rights issues, and outside experts are brought in to offer presentations on human rights to organizational heads and managerial personnel.

Group-wide Human Rights Training – Participants (FY2015)

Participants	Implementation period	Total number of persons
Executives	November	32
Organization heads, managers	May, July, August, December	370
New employees	April	168
Training for all employees	Year around including the seminar in December	17,730
Managers at affiliates	May, November	177
New employees at affiliates	April	165
Employees of affiliates	Year around	391
HR Committee members, etc.	Year around	257
Total		19,290

Stakeholder Comment



Dr. Emi Sugawara
Associate Professor, Faculty of Law,
Osaka University of Economics and Law

I expect Osaka Gas to pay attention to human rights due diligence while stepping up efforts via its value chain network

Businesses are expected to evaluate the efforts of suppliers to improve the human rights of their employees, first during the conclusion of new contracts and then on a periodical basis. Osaka Gas has been working hard to evaluate the human rights situation at new clients operating under the Osaka Gas value chains, such as main suppliers already supplying LNG to Osaka Gas, gas appliance makers, service chain companies and engineering companies. A focus of attention for us is how Osaka Gas will rectify any human rights problems at these companies that may surface following the evaluation. We want Osaka Gas to address these issues while ensuring medium- to long-term engagement with them and stepping up disclosure of relevant information. The Osaka Gas Group CSR Charter IV lists two fields as materialities that should be given the highest priority, in addition to evaluation of the human rights situations at suppliers. I think that it is necessary to mention the future direction concerning its human rights evaluation policy, following the evaluation of last year’s efforts. Setting materialities is the task of sorting out business duties according to the degree of priority. I recommend Osaka Gas to shift to new priority fields in a phased manner if certain progress is seen in one field, including establishment of a system to manage evaluation of the human rights situation at all affiliated companies including those operating overseas.

CSR Charter



Management Policy for Human Growth

We respect the individuality and autonomy of employees and create a corporate environment in which a diversity of values is accepted.



Plan Fundamental concept

The Osaka Gas Group would like to be a company at which employees can find not just employment but also personal growth through their work. To that end, we have introduced career-course-specific human resources systems designed to respect and put to full use the individuality and autonomy of employees, and we have been conducting a wide range of training. We have also formulated the "Osaka Gas Group Diversity Policy" to ensure that a diversity of people can play active roles at the Osaka Gas Group. Convinced that ensuring employees' safety and maintaining/improving their physical and mental well-being are keys to all our operations, we are also undertaking efforts to prevent work accidents and to promote fitness.

Target CSR Indicator:
Employee Attitude Survey (job satisfaction and attachment to the company)

Osaka Gas periodically conduct "Employee Attitude Survey" to understand how employees satisfy with their job, workplace environment, superiors, company systems, and so on. Employees are asked to rate their satisfaction level on a five-point scale for 23 categories, including job satisfaction, attachment to the company, etc., and to leave an open comment.

Job satisfaction and attachment to the company

Maintain sufficient levels

Do Major steps taken

- A wide range of training system according to all career tracks, and job levels
- Measures to promote diversity
- Improvement of productivity through promotion of "Smart Work"
- Preventive efforts to reduce work-related injuries
- Set up of contact desk to receive opinions and requests regarding labor practices from employees

Results

The goal of the "Employee Attitude Survey" is to confirm changes over time in employee attitudes and the progress made in adopting / implementing the human resources systems introduced in FY2012. The FY2015 results surpassed the results of the previous survey (FY2013) in the CSR indices of job satisfaction / attachment to company and degree of satisfaction with human resources systems.

Maintain sufficient levels

(3.85 against scale of 5 for job satisfaction and 4.38 of scale of 5 for attachment to the company)

Check & Act Toward the future

The Osaka Gas Group aims to be a company where people from various backgrounds can play roles fit for their respective individuality regardless of gender, age, nationality and whether they are handicapped, at a time when its business operations have become globalized and diversified. The Group is looking for ways to hand down knowledge and technical expertise, especially on security and disaster prevention, from existing senior employees to future generations in view of their scheduled mandatory retirement in the near future.

Materiality

Labor Practices Grievance Mechanisms

Major actions, management systems and its performance

Major actions

•"Compliance Desk"

- ▶ Osaka Gas has set up "Compliance Desks" at its headquarters, major affiliated companies and outside law firms for offering consultations and receiving reports from its employees concerning observance of laws and in-house rules as well as labor issues.
- ▶ Persons in charge of dealing with harassment at workplace are posted at "Contact Desks for Harassment" of each organization and affiliated company.

•Other mechanism for receiving employees' opinions

- ▶ We construct a system to listen to employees' opinions through "Employee Attitude Survey," opinion exchange with labor union, in addition to grievance mechanisms above.

Management systems and its performance

Indicator	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms (G4-LA16)
Commitments	Osaka Gas supports the Universal Declaration of Human Rights and the U. N. Global Compact, and incorporates its labor environment standards into the "Osaka Gas Group Code of Conduct." The company makes efforts to create a good work environment.
Responsibilities	Osaka Gas has set up "Compliance Desks" at its headquarters, major affiliated companies and outside law firms for offering consultations and receiving reports from its employees concerning observance of laws and in-house rules. Persons in charge of dealing with compliance are posted at "Contact Desks for Harassment" of each organization and affiliated company. We construct a system to listen to employees' attitudes through "Employee Attitude Survey," opinion exchange with labor union, in addition to grievance mechanisms above.
Performance	In fiscal 2015, we appropriately responded each complaint and grievance at contact desks, including "Compliance Desks," and relevant division.

TOPICS

Osaka Gas was Selected as "Nadeshiko Brand" and "Diversity Management Selection 100" company

In the year ended in March 2015, Osaka Gas was selected as a "Nadeshiko Brand" and a "Diversity Management Selection 100" company. "Nadeshiko Brand" companies are those recognized as active in giving key work assignments to women, selected by the Tokyo Stock Exchange (TSE) and the Ministry of Economy, Trade and Industry from among companies listed on the First Section of the TSE. "Nadeshiko Brand" is awarded to one company in each industry following the evaluation of companies on two aspects—whether they are supporting women in their career development, efforts measured by the rate of women in managerial positions, and whether they are active in promoting the work and life balance of women by supporting both women and their families. Their financial conditions are also counted. In fiscal 2015, 40 companies were awarded the brand while 26 companies were selected in fiscal 2014. Osaka Gas was selected as a "Nadeshiko Brand" company for the second consecutive year.

"Diversity Management Selection 100" companies are those recognized as having enhanced corporate value through diversification of management, selected by the Economy, Trade and Industry Minister. A total of about 100 companies have been selected since the year ended in March 2013, when this award system started. The award is given to companies which have been able to create innovation and enhance corporate value by utilizing human resources with various skills and talents, and by providing them with excellent work opportunities through which they can maximize their abilities. What was achieved by selected companies is introduced as "a collection of best practices."

In the year ended in March 2015, 52 companies were selected as "Diversity Management Selection 100" companies, bringing the total number of such companies to 141.



Logo of Nadeshiko Brand



Logo of "Diversity Management Selection 100"

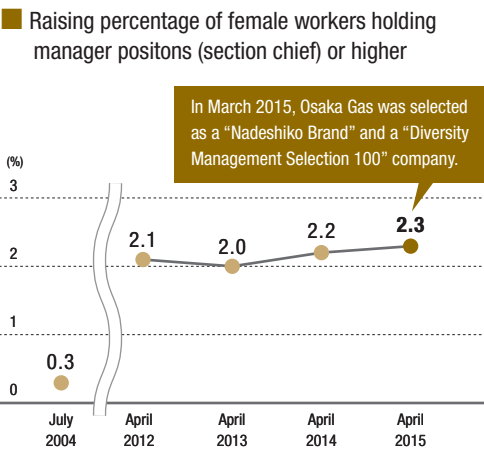
Action on Human Rights

Efforts to promote diversity

The Osaka Gas Group has been promoting diversity in line with the “Osaka Gas Group Diversity Policy” formulated in March 2014. In fiscal 2015, the Company implemented a mentoring program to help young female workers raise their awareness regarding career development. It also studied effectiveness of an interview system for female workers taking child-rearing leave and posting women to business positions from the viewpoint of developing their career.

The percentage of female workers in managerial positions against total management positions* came to 2.3% in April, 2015. The Company will continue to work on achieving the goal of raising the percentage of women against the total managerial-track workforce to more than 30% and the goal of raising the percentage of female managers against the total number of employees in management positions to 5% by 2020. Osaka Gas will take additional measures to empower women so that they can play more active roles for the Group.

*Manager (section chief) or higher



Balancing Work and Family

Improving productivity through promotion of “Smart Work Initiatives”

Osaka Gas has been promoting “Smart Work Initiatives,” whose aims are to improve value for employees through the realization of work-life balance, establish a workplace culture that promotes workforce diversity, and prevent health problems caused by overwork. By pushing forward with “Smart Work Initiatives,” we will strive to improve productivity and reduce annual total working hours.

In “Smart Work Initiatives,” which commenced in the fiscal year ended in March 2010, specific activities under the initiatives are making workplaces paperless by promoting electronic documents and operating in-house meetings more efficiently. The following measures have been taken since fiscal 2015 to promote Smart Work further.

- Enhance management awareness of workers in management positions (setting Smart Work goals for managers)
- Stricter time management by employees (prohibiting overtime work on certain days of the week, shortening the time of meetings and improving their quality)

Human Resource Development and Rewards

Training according to all career tracks, job levels and job descriptions

Osaka Gas has training programs for all employee levels that are designed to spur motivation and personal growth. We have a wide range of training for all positions and job descriptions. In addition to a training system tailored to career track courses that employees select to pursue, we have different training programs for junior and new employees, mid-level employees, and executives, as well as a variety of elective training courses.

Training courses by career track	Training tailored to job levels
Meister Course	Orientation and Follow-Up Training for Junior and New Employees
Management Course	Mid-level Employees Awareness Program
General Course	Management Strengthening Training
Specialist Course	

Communication Between Employees and Company

President tours workplace to directly talk with group employees

The President of Osaka Gas tours workplaces for face-to-face talks with employees to create a feeling of togetherness across the Company. At each workplace, the President delivers messages to employees. This is followed by a forum held at each site for frank discussion between the President and employees.

In fiscal 2015, a total of nine such meetings were held, including ones aimed at enabling mid-level employees from different departments and divisions to meet together, in addition to the meetings held in workplaces at Osaka Gas Group companies including Osaka Gas LPG Co., Ltd., OG Sports Co., Ltd. and Osaka Gas Chemicals Co., Ltd. After the President’s workplace tour was over, he posted his comments on the meetings on the Group’s intranet so that they could be shared by employees of Group companies. The new President will continue to tour workplaces for face-to-face talks in fiscal 2016 under the titled “Takarajima Meet Up.”



The President tours workplace to meet employees (Left inside, then President Ozaki)

Prevention of Labor Accidents

Promotion of workplace safety and health management based on OSHMS

Osaka Gas has been striving to prevent labor-related accidents systematically and meticulously based on the Occupational Safety and Health Management System (OSHMS), which is recommended by the Minister of Health, Labor and Welfare. Each division of Osaka Gas is carrying out the PDCA (plan, do, check, action) cycle to ensure workplace safety.

In fiscal 2015, all Osaka Gas Group companies compiled their respective policies on work safety and employee health, business goals and activity plans, and undertook activities in line with these policies and goals. In the following year, the Group companies will evaluate the previous year’s activities, formulate new plans based on the evaluation and implement the plans with the aim of establishing a group-wide PCDA cycle.

Industrial accident rate (rate of accidents causing absence from work*1, accident severity rate*2)

	FY2011	FY2012	FY2013	FY2014	FY2015
Rate of accidents causing absence from work	0.36	0	0.26	0.09	0
Rate of accidents causing no absence from work	0.98	1.13	0.70	0.80	0.98
Overall absence rate	1.34	1.13	0.96	0.88	0.98
Accident severity rate	0.009	0	0.006	0.133	0

*1 Rate of accidents causing absence from work = (No. of accident / total work hours) x 1,000,000
*2 Accident severity rate = (lost work days / total work hours) x 1,000

Stakeholder Comment



Mr. Taro Tamura
Representative Director,
Institute for Human Diversity Japan

Hoping Osaka Gas gives consideration to diversity amid the aging of society with falling childbirths and manages its business with an eye toward the next 100 years

I respect the high-level efforts by Osaka Gas to create under the “Osaka Gas Group Diversity Policy” a corporate culture in which various human resources can play active roles, including raising the ratio of women in managerial positions, sponsoring educational sessions on sexual minorities and reemploying retired workers, and efforts to promote disclosure of information on creating such a corporate culture.

Meanwhile, I feel it is necessary for Osaka Gas, as a company offering utility service that is essential for people’s lives, to clarify which strategy is to be taken at a time when Japan is expected to age rapidly with declining childbirths. It is necessary for the company to devise a new human resources portfolio and a child-rearing policy.

I want Osaka Gas to become a company which continues to provide a service over the next 100 years without causing any worries for customers or local communities, by reviewing its employment and personnel promotion policies in favor of female workers in a variety of areas, promoting measures to expedite the transfer of skills and technologies from generation to generation, and by improving labor practices aimed at increasing the employment of foreign workers.

Third Party Review

The Osaka Gas Group contracted with the Institute for Environmental Management Accounting (IEMA) for a third party review, including recommendations as well as simple audits.

IEMA interviewed Mr. Matsuzaka, Executive Vice President and “CSR Executive,” regarding the planning and implementation of CSR activities at the Osaka Gas Group.

The interview was lively with questions and answers focused on the progress of the “Mid-Term Business Plan,” its future planning, what to do with identified materialities and communication with stakeholders. Based on these interviews and documents submitted, IEMA prepared and presented a report which summarized the IEMA's overall evaluation and advice regarding the Osaka Gas Group's CSR activities.



From left to right, Mr. Kokubu, Ms. Nashioka from IEMA, Mr. Matsuzaka and Mr. Washio, “CSR Executive” and General Manager of CSR & Environment Dept. of Osaka Gas.

Evaluation and Opinion of CSR Management

Purpose and outline of work that has been undertaken

From our position as a third-party that maintains no business relationships with Osaka Gas, we are expressing our opinion to help enhance the reliability of the Osaka Gas Group CSR Report 2015 by evaluating all the CSR initiatives that are not related to environmental management. We interviewed Hidetaka Matsuzaka, Executive Vice President and CSR Executive, to clarify the planning and implementation of CSR management (excluding environmental management) at Osaka Gas and the evaluation and utilization of the performance data that indicates the results of these activities and serves as the basis for disclosed information.

Evaluation and Opinion

In April 2014, the Osaka Gas Group clarified its management philosophy and slogan, and pledged to promote CSR that is integrated with the CSR Charter, the Osaka Gas Group Code of Conduct and the company's business strategy, while upholding the unified group philosophy. Osaka Gas's efforts to manage its group companies in an integrated manner in response to business diversification reflects the group's policy of pursuing long-term CSR while emphasizing its value chain network and its desire to earn profit in a sustainable manner. In the year ended March 2015, CSR surveys, as an initial action, were conducted in all parts of the value chain network: LNG suppliers, gas appliance makers, service chains and engineering companies. Based on the surveys, the Osaka Gas Group began to make efforts for CSR promotion in its value chain. This marked the beginning of the company's efforts to build a business model aimed at creating new value beyond the group or in collaboration with supply chains, and its efforts to step up information disclosure regarding this model. At the same time, this will be an important challenge for Osaka Gas in the future. While Osaka Gas globalizes its business operations in line with business diversification, what is equally important for the company is to undertake value-creating activities while taking into account regional revitalization. This is a socially important theme that Osaka Gas should address as a company whose mission is to serve the interests of local communities.

Last year, Osaka Gas adopted GRI-G4, a set of guidelines for CSR information disclosure, and released 16 important aspects of business operations, technically called “materialities.” Osaka Gas received high marks for this effort, which was praised as being advanced. This year, the company disclosed “Indicators” in response to each materiality. The 16 materiality items are composed of different kinds of items: compliance-related items and value creation-related items. This means that some situations require the monitoring of progress through key performance indicators (KPI), while under other situations, qualitative management or explanation is sufficient. Items for KPI should be those whose improvement leads to creation of business value. In this field, Osaka Gas is ahead of rival companies. Therefore, I hope Osaka Gas will undertake activities that become a business model for other companies.

The Osaka Gas Group has not compiled an integrated report. However, the Group's stance on value creation, which serves as the basic philosophy of the integrated report, has been disclosed in the CSR report. Investors, especially in the United States and Europe, have been strongly calling for disclosure of a business model relating to value creation. Therefore, the Osaka Gas Group's policy of promoting information disclosure regarding value creation is appropriate. I believe that in the future, the Group would be expected to strive further to expand the scope of value subject to information disclosure. In expanding the scope, it would be useful for the Osaka Gas Group to refer to six capital advocated in the framework of the integrated report. I expect Osaka Gas to pursue CSR management that is possible only by a company whose activities have strong public nature.

July 10, 2015

Katsuhiko Kokubu,
Professor, Kobe University; Director of IEMA

Eriko Nashioka,
Certified Public Accountant and
Certified Tax Accountant; CEO of IEMA



Third Party Verification

The environmental performance data of the Osaka Gas Group included in this report underwent third-party verification by Bureau Veritas Japan Co., Ltd. The verification was conducted to confirm that the data was sufficiently reliable and consistent for the purpose of the report.

Scope of work

The scope of the verification work covered the environmental performance data from activities at a total of three sites, each one of which was visited as part of the verification, as well as the Head Office.

These included:

- Osaka Gas Head Office: Functions for data aggregation
- Dome City Gas Building, Osaka Gas Co., Ltd.: Supply, sale, service and security of gas in Osaka area
- Cryo-Air Co., Ltd.: Production and sale of products including liquid nitrogen, liquid oxygen and liquid argon.
- Sakura Information Systems Co., Ltd.: Software development and information-processing services



Verification work

Bureau Veritas conducted the following evaluation based on agreement with Osaka Gas at:

- | | |
|---------------------------|---|
| Head Office: | 1. The reliability and adequacy of the overall data collection and aggregation processes and systems, and the effectiveness of internal verification checks |
| | 2. The accuracy of the aggregated data for FY2015 (from April 2014 to March 2015) |
| Operational sites: | 1. The appropriateness of the scope of data selected for inclusion in the CSR Report |
| | 2. The effectiveness of data measurement, collection and aggregation methods, and the effectiveness of internal verification checks |
| | 3. The accuracy and reliability of measured, compiled and aggregated final data |

The verification was conducted using Bureau Veritas' standard procedures and guidelines for external verification of non-financial reporting based on current best practice, informed by the International Standard on Assurance Engagements 3000 (2005) in providing a limited level of assurance for the scope of work stated herein.

Opinion on verification

As a result of the above scope of work Bureau Veritas is of the opinion that:

- The environmental data reported at sites' level is measured, collected and aggregated based on established and effective internal systems and processes.
- All errors in reported data identified during the verification process have been duly corrected.
- Therefore, nothing comes to our attention to suggest that there are any data that are not free from significant error.

Bureau Veritas has implemented a code of ethics across its business which is intended to ensure that all our staff maintain high standards in their day to day business activities. We are particularly vigilant in the prevention of conflicts of interest. Bureau Veritas activities for Osaka Gas Co., Ltd. are for Osaka Gas Group CSR Report 2015 verification only and we believe our verification assignment did not raise any conflicts of interest.

Socially responsible investment (SRI) indices and investment universe



(As of the end of August 2015)

*1 FTSE Group confirms that Osaka Gas Co., Ltd. has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent environmental, social and governance criteria, and are positioned to capitalise on the benefits of responsible business practice.
<http://www.ftse.com/ftse4good/index.jsp>

*2 The inclusion of Osaka Gas Co., Ltd. in any MSCI Index, and the use of MSCI logos, trademarks, service marks or index names herein, does not constitute a sponsorship, endorsement or promotion of Osaka Gas Co., Ltd. by MSCI or any of its affiliates. The MSCI Indexes are the exclusive property of MSCI. The MSCI Indexes names and logos are trademarks or service marks of MSCI or its affiliates.
<https://www.msci.com/esg-indexes>

In response to third-party comments

We are pleased to publish our “CSR Report 2015” presenting our various activities and indicators corresponding to the material aspects, following identification of them in FY2014. The Report also includes CSR efforts conducted in cooperation with suppliers throughout our city gas value chain.

In order to communicate CSR activities of the Osaka Gas Group to readers of the Report in a comprehensive way, we repeatedly had discussions with people in charge of activities of the Group, incorporating the stakeholders' comments.

It is our pleasure that this Report help enrich readers' understanding of the Osaka Gas Group and its activities.

Listening sincerely to the opinions including those from IEMA on the Third Party Review, we will make step-by-step efforts on our CSR.

CSR & Environment Department
Osaka Gas Co., Ltd.