

2 LPG, Electricity and Other Energies Segment



IPP facilities in Spain Osaka Gas financed in 2005

The lower barriers of market entry provide Osaka Gas with an opportunity to expand its energy business. Osaka Gas remains proactive in turning challenges resulting from deregulation into business opportunities based on its strategy of shifting to multiple energy services and geographically expanding operations.

Making Advances into the Electricity Sector

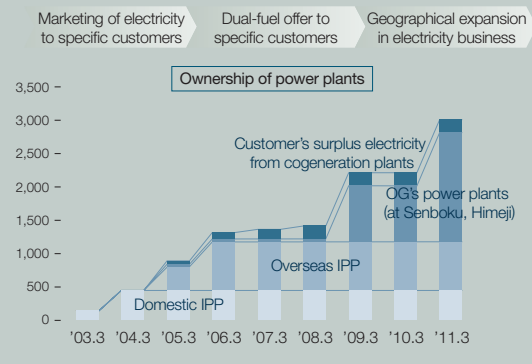
The electric power sector is an area where the Osaka Gas Group can leverage its strengths in the natural gas business, namely its upstream infrastructure, solution marketing capabilities and customer networks. Grasping deregulation in the electric power sector as a business opportunity, the Osaka Gas Group is making inroads into the electricity business based on the following strengths.

- 1) The Osaka Gas Group generation capacity for wholesaling of electricity to power utilities from three 150 MW IPP. Based on long-term contracts, we expect these three power plants to provide a stable source of revenues of approximately 18 billion yen annually. In fiscal 2005, Osaka Gas finalized the plan to acquire a 700 MW portion of IPP plants in Texas, U.S.A., and Spain.
- 2) In Senboku, we plan to construct a power plant with a capacity of 1,100 MW within one of our LNG receiving terminals, making efficient use of existing land and natural gas line facilities. Osaka Gas will minimize

power generation costs by using cutting-edge combined cycle gas turbines.

- 3) Targeting customers that already use gas cogeneration systems, Osaka Gas is able to provide one-stop energy solutions for both electricity and gas.

Development of Electricity Business (MW)

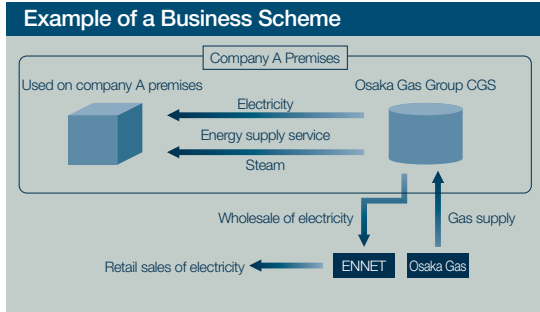


2 LPG, Electricity and Other Energies Segment

Combining Gas and Electricity Businesses

Osaka Gas aims to combine the gas and electricity businesses through surplus electricity from customer's cogeneration plants schemes, which are cogeneration systems designed to sell excess electricity in addition to providing electricity for on-site use. Excess electricity is generated by using thermal load as a basis for determining cogeneration scale and balancing it with the customer's electricity requirements. The Osaka Gas Group purchases this excess electricity and uses it in the retail electricity business as a power source.

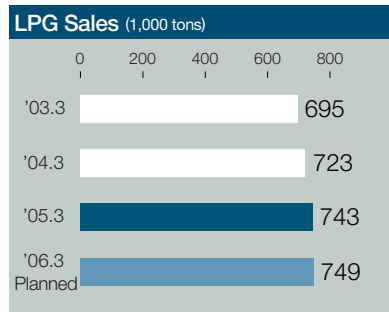
Customers, whose primary energy source is heat, generate excessive electricity from exhaust heat, supplying relatively inexpensive electricity.



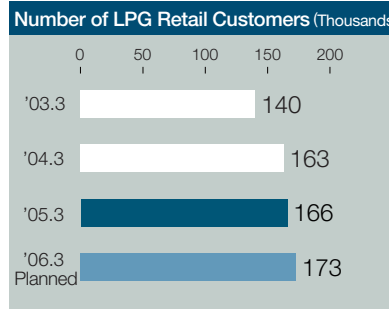
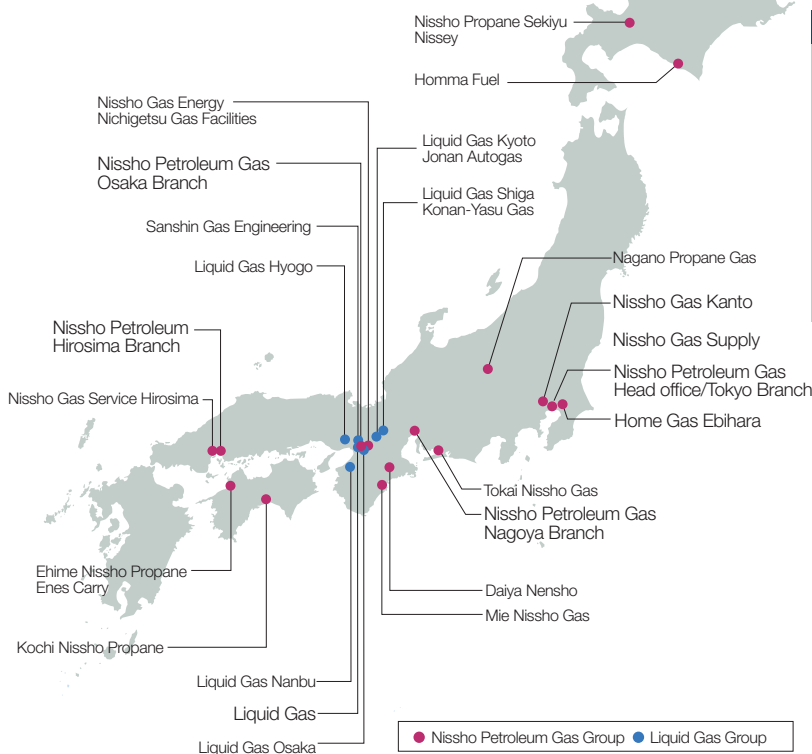
LPG Business

The Liquid Gas Group, comprising Liquid Gas Co., Ltd., and 14 other companies, together with the Nissho Petroleum Gas (NIPG) Group, made up of Nissho Petroleum Gas Corporation and 18 other companies, develop the LPG business. LPG sales volume increased 2.6% year on year to 743,000 tons in fiscal 2005, as the number of retail customers rose by 3,000 to 166,000 (as of the end of March 2005).

We aim to further increase sales volume and the number of retail customers in fiscal 2006 through the sale of strategic equipment such as *ECOWILL* and floor heating systems as well as acquiring sales outlets. The Osaka Gas Group aims to raise profits through efforts to reduce costs, streamline distribution and transmission, and engage in one-lot purchases of LPG in necessary volumes.



LPG Business Network



LPG Recharging Station