

## 2 LPG, Electricity and Other Energies Segment



The Marianas Power Plant in Guam, for which the Osaka Gas Group owns 100% of the interest.



Rendering of the Semboku Natural Gas Power Plant.

**The falling barriers to market entry between energy sectors in Japan provide Osaka Gas with an opportunity to expand its energy business. The Osaka Gas Group remains proactive in turning challenges resulting from deregulation into business opportunities based on its strategy of shifting to multi-energy supplier services and geographically expanding operations.**

### Positioning Osaka Gas in the Electricity Sector

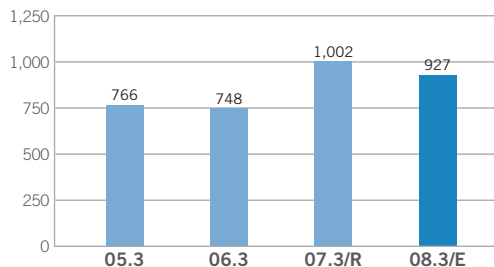
Second only to our natural gas business, our electric power business is an area where the Osaka Gas Group can leverage strengths such as infrastructure, solution-based marketing capabilities and customer networks. Viewing deregulation in the electric sector as a business opportunity, the Osaka Gas Group is actively involved in the electricity business with its ongoing liberalization.

Our three independent power producers (“IPPs”) have a total electric power generation capacity of 450 megawatts for wholesale supply to electric utilities. Based on long-term contracts, we expect these three power plants to provide a stable source of revenues of approximately ¥18 billion annually. Overseas, we are a part owner of IPPs in Texas, in the United States, and in Spain. We also own a U.S. holding company for a portfolio of nine IPPs. The total net capacity arising from these three investments is approximately 1,200 megawatts, and they are expected to contribute a total of over ¥3 billion in annual ordinary profit.

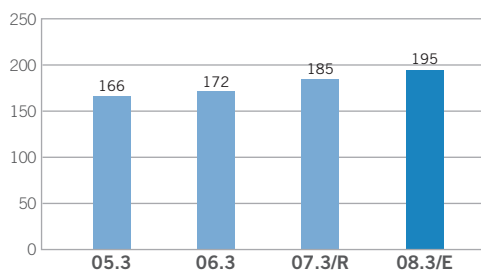
A large natural gas electric power plant is being constructed inside our Semboku terminal in Osaka with a capacity of 1,100 megawatts, scheduled to be completed in 2009. Because the Semboku power plant is being built inside an existing terminal, we can make efficient use of existing personnel, land and natural gas facilities, and minimize power generation costs. We are using state-of-the-art combined cycle gas turbines to realize a highly competitive power plant that produces electric power very efficiently.

To conduct an electric power business that can contribute to the global environment, we are also involved in the wind power business that does not produce carbon dioxide during power generation. We own the Hayama Wind Farm in Kochi Prefecture (total capacity of 20 megawatts) and are building the Hirogawa Myojinyama Wind Farm in Wakayama Prefecture (total capacity of 16 megawatts), scheduled to be completed in April 2008.

**LPG Sales Volumes**  
(1,000 tons)



**Number of LPG Retail Customers**  
(Thousands)



## LPG Business

Our LPG business is operated by the Liquid Gas Group, comprising Liquid Gas Co., Ltd., and nine other companies, and the Nissho Petroleum Gas Group, made up of Nissho Petroleum Gas Corporation and 13 other companies. LPG sales volume increased 34% year on year to 1,002 thousand tons in fiscal 2007, as the number of retail customers rose by 13,000 to 185,000.

In August 2005, we concluded a capital alliance with ITOCHU Corporation for the import and domestic sales of LPG by Nissho Petroleum Gas Corporation. Subsequently, in April 2006 ITOCHU and Nissho Petroleum Gas integrated their LPG import and wholesale functions. As a result, Nissho Petroleum Gas substantially increased its LPG sales volume and the number of retail customers. We continue to derive further benefits from tie-ups and strengthen our competitiveness by making efficient use of our LPG tanks and rationalizing our deliveries by such actions as establishing a company to carry out shared deliveries.

In addition, the Liquid Gas Group generates and sells liquid oxygen, liquid nitrogen and other substances that use the cryogenic energy of LNG, and is involved in the cryogenic crushing business. Involved in the onsite hydrogen production business also, the Liquid Gas Group leverages its unique technologies to develop new product uses and new demand.

## LPG Business Network

- Nissho Petroleum Gas Group
- Liquid Gas Group

