

Intellectual Property Activities of the Osaka Gas Group

Our Intellectual Property Strategies

From the viewpoint of technology management, the Osaka Gas Group has been actively committed to acquiring intellectual property rights for technologies resulting from research and development programs.

We currently implement our strategic intellectual property activities based on the following three basic policies:

- **Building a Strong Patent Network Through Patent Portfolio Management (PPM)**

We build a strong patent network of basic and fringe patents for each major product or business, developing a portfolio to secure competitive advantages in our business.

- **Expanding Revenue by Optimum Use of Intellectual Property Rights**

In addition to utilizing powerful patents to differentiate our products and businesses in their markets, we endeavor to expand revenue through optimum use of our intellectual assets, such as active licensing of open patents or development of new businesses using the patents.

- **Reinforcement of Risk Management for Intellectual Property Activities**

We carry out sophisticated risk management to protect our own intellectual property and deal strategically with the intellectual rights of other companies.

Intellectual Property Right Applications

In the fiscal year ended March 31, 2007, the Osaka Gas Group made a total of 399 patent applications. In recent years, we have advanced our strategy of selective and concentrated investment of resources, focusing on making patent applications and securing rights that are considered critical to our business strategies.

Annual Number of Patent Applications by the Osaka Gas Group

| 99.3 | 00.3 | 01.3 | 02.3 | 03.3 | 04.3 | 05.3 | 06.3 | 07.3 |
|------|-------|------|------|------|------|------|------|------------|
| 988 | 1,095 | 979 | 904 | 759 | 635 | 491 | 451 | 399 |

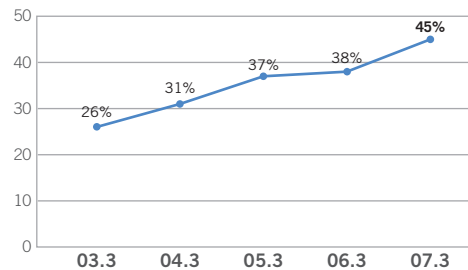
For major products, we use our PPM system to build a strong patent network by undertaking multiple patent applications centering on the product. For example, for our residential cogeneration systems, we have developed a strong patent network around our fuel reforming equipment, and self-learning control systems, our key competitive advantages.

As well as applying for patents, in the fiscal year under review we applied for 34 trademark patents and 51 design patents to protect and strengthen our company and product brand names.

In the residential energy sector in which competition between all-electric systems is intensifying, in the fiscal year under review we applied for 202 patents, including design patents. The percentage of all patent applications that are applications in the residential energy sector is increasing, reflecting our efforts to bolster our competitive edge in this business sector.

Percentage of All Patent Applications (Including Design Patents) That Are in the Residential Energy Sector

(%)



As described above, our intellectual property strategies form a three-pronged approach in conjunction with our business and technology strategies.

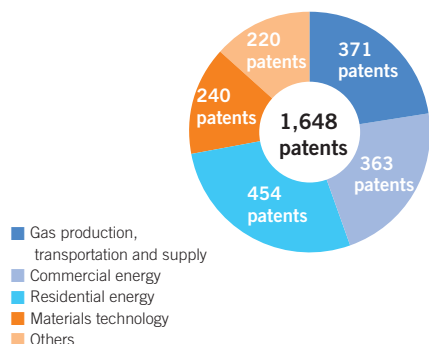
Patent Ownership and Licensing Activities of the Osaka Gas Group

Osaka Gas Group holds a total of 1,648 patent rights.

Among strategically important rights, we own patents for the non-excavation construction method and other technologies that contribute to cost reductions and safety in our gas production, transportation and supply business. In the commercial energy market, we own patents for cogeneration and gas heat pump technologies that secure our position. We also own patents for residential cogeneration systems and bathroom heater-drier equipment, which are rapidly gaining popularity in the residential energy business.

In the non-energy field, we own many patents for new materials technologies, one of the core technologies of the Group, such as fluorene and other optical materials that are in high demand for use in liquid crystal displays and mobile phones.

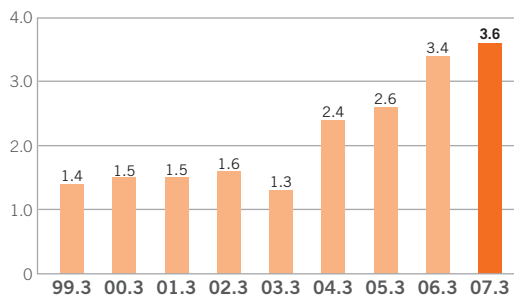
The Osaka Gas Group's Patent Portfolio Breakdown by Business Type



Meanwhile, we also carry out active licensing of technologies that can be used outside the Group. As a result, license fee revenue for the fiscal year under review totaled about ¥360 million yen.

Licensing Income of the Osaka Gas Group

(Billions of yen)



Intellectual Property Risk Management

Against the backdrop of increasing intellectual property risk throughout the world, the Osaka Gas Group is strengthening its intellectual property risk management in response to the risks of litigation related to inventions by employees and of infringements of rights.

The Osaka Gas Group pays compensation for inventions and performance bonuses to employees. In the fiscal year ended March 2005, we revised the intellectual property rule that regulates compensation and performance bonuses to improve employee incentives. The revised points included the raising of the compensation level and the abolishment of an upper limit to compensation. Furthermore, we have put in place transparent procedures for paying compensation to the inventors of patents that significantly contribute to Osaka Gas earnings, including fully disclosing the review results of the board of review and giving inventors the opportunities to request that the review results be re-examined if they have an objection.

To prevent any infringement of other companies' rights and to respond to any infringement of our own rights, we have established various frameworks, including a system for examining our patents. We also examine the patents of other companies to prevent our inadvertent infringement of other companies' rights in the course of our technology development and product sales activities. In the case of any infringement of own rights, we have prepared a range of legal responses that can be considered.

Moreover, to raise the level of awareness regarding intellectual property of all employees in the Osaka Gas Group, we provide intellectual property lessons from internal and external speakers and conduct various other educational activities and training sessions, including lectures given by invited experts.