

## LPG, Electricity and Other Energies Segment



The Semboku Natural Gas Power Plant, scheduled for completion in 2009



The Hayama Wind Farm in Kochi Prefecture

### 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 regulatory reform in the electric sector as a business opportunity, the Osaka Gas Group is actively involved in the electricity business in line with this ongoing liberalization.

(1) In Japan, we have a total power generation capacity of roughly 600 megawatts for wholesale supply to electric utilities. This figure includes capacity of 450 megawatts from our three independent power producers (“IPPs”) in the country. Overseas, we are a part owner of IPPs in Texas, U.S.A., and in Spain. We also own a U.S. holding company for a portfolio of eight IPPs. The total net capacity arising from these three investments is approximately 1,200 megawatts.

- (2) 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 Natural Gas 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.
- (3) To conduct an electric power business that can contribute to reducing global environment impact, we are also involved in the wind power business, which 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), aiming to begin operations in autumn 2008.

## LPG Business

Our liquefied petroleum gas (LPG) business is operated by the Liquid Gas Group, comprising Liquid Gas Co., Ltd., and 10 other companies, and the Nissho Petroleum Gas Group, made up of Nissho Petroleum Gas Corporation and 14 other companies. LPG sales volume amounted to 975 thousand tons in the fiscal year ended March 2008, with 205,000 retail customers.

In the Kansai region, in April 2007 the Liquid Gas Group restructured and consolidated its residential LPG operations as Osaka Gas LPG Co., Ltd. with the aim of boosting sales volume through tie-ups with city gas. In December 2007, Osaka Gas LPG Co., Ltd. acquired shares of Sumisho LPG West Co., Ltd., the Kansai region sales company of Sumisho LGP Holdings Co., Ltd. Leveraging this newly acquired sales foundation and business base, we aim to enhance our operations and strengthen our sales capabilities.

Step rises in liquefied natural gas (LNG) import prices and

sluggish growth in demand due to intensifying competition with other types of energy have created difficult business conditions. To respond to the situation, the Nissho Petroleum Gas Group endeavored to strengthen its competitiveness in domestic sales through a capital alliance with ITOCHU Corporation. In addition, we have begun full-scale deliberations toward restructuring and consolidation of the LPG business together with four other companies, including Nissho Petroleum Gas Corporation, Japan Energy Corporation, ITOCHU Corporation, and Itochu Enex Co., Ltd. The target for coming to an agreement is September 2008. By enhancing the competitiveness of our wholesale and retail functions and increasing the efficiency of overseas LPG procurement functions, we aim to further improve maintenance and services for our customers. At the same time, we hope to build an LPG business group with integrated competitive capabilities that can supply our products in an efficient and stable manner.

