

Management Policies and Targets for Fiscal 2010

Topics For Fiscal 2010

For the year ending March 2010, the Osaka Gas Group will take its first steps toward realizing its long-term vision. In domestic energy businesses, we will work to strengthen marketing activities and further raise safety levels, and in the power business, we will strive for true growth by launching operations at the Semboku Natural Gas Power Plant. Units No. 1 and No. 2 at the plant came into operation in April and May, while Units No. 3 and No. 4 are slated to go online in October and November. This will raise the Osaka Gas Group's power supply from approximately 1.9 gigawatts as of fiscal 2009 to some 3.0 gigawatts in fiscal 2010, on a combined domestic and overseas basis. Additionally, we are planning to make investments on a scale that will exceed fiscal 2009 in order to develop international energy businesses along the value chain and expand or develop environment and non-energy businesses.

At the same time, business conditions for the Group are expected to continue to be challenging in fiscal 2010. Affiliates are projecting lower income as a result of these conditions. However, we intend to faithfully carry out business activities in line with our medium- and long-term vision and build a robust corporate structure for the Group that is capable of generating profits even during times of tough market conditions.

Financial Projections

Operating revenues for fiscal 2010 are forecast to decline by ¥235.2 billion, or 17.7%, compared to fiscal 2009, to ¥1,091.5 billion. Operating revenues from the Gas segment are expected to decline due to lower gas sales volumes and low unit prices, which are adjusted based on fuel costs. In the LPG, Electricity and Other Energies segment, wholesale volumes are likely to decrease due to business restructuring.

Despite an expected decline in gas sales volumes in the Gas segment, ordinary profit is projected to increase year on year by ¥7.4 billion, or 11.6%, to ¥72.0 billion owing to the substantial effects of decreased raw material costs resulting from lower LNG prices. Net income is forecast to increase year on year by ¥6.9 billion, or 19.3%, to ¥43.0 billion.

(Unit: ¥100 million)

Consolidated	FY2009 Results	FY2010 Projections	Change
Operating revenues	13,267	10,915	-17.7%
Operating income	669	820	+22.5%
Ordinary profit	645	720	+11.6%
Net income	360	430	+19.3%

Assumptions used for fiscal 2010 projections: Crude oil price (All-Japan CIF) of US\$55/bbl and exchange rate of ¥95=US\$1.

	FY2009 Results	FY2010 Projections
Shareholder value added (SVA) (¥100 million)	51	85
Net income per share (EPS) (¥/stock)	16.72	19.95
Return on equity (ROE) (%)	5.7	6.9
Return on assets (ROA) (%)	2.5	2.9
Free cash flow (FCF) (¥100 million)	562	700

Gas Sales Volume Projections (Non-consolidated)

Gas sales volumes for Osaka Gas on a non-consolidated basis are projected to decline by 4.7% compared to fiscal 2009 to 7,987 million m³. Despite projected increases in residential and commercial customer numbers, sales volumes are expected to be heavily impacted by reduced operations at customer facilities, largely in the industrial sector.

	FY2009 Results	FY2010 Projections	Change
Residential (Million m ³)	2,238	2,324	+3.8%
Commercial, public and medical (Million m ³)	1,580	1,539	-2.6%
Industrial (Million m ³)	4,128	3,696	-10.4%
Wholesale (Million m ³)	434	427	-1.5%
Total non-consolidated gas sales volume (Million m ³)	8,380	7,987	-4.7%
Number of customers (at fiscal year-end) (Thousand)	6,939	6,999	+0.9%
Total consolidated gas sales volume (Million m ³)	8,416	8,020	-4.7%

Investment Plans

Our investment plans for fiscal 2010 call for investing ¥57.0 billion to improve the quality of existing businesses, including the gas business. For expanding new businesses, plans call for investing ¥19.0 billion in domestic energy businesses, primarily the Semboku Natural Gas Power Plant and gas pipelines, including the Mie-Shiga Line.

Further, we plan to make a ¥67.0 billion investment in international energy businesses, which will include investing in resource development and other energy businesses, and a ¥30.0 billion investment in environment and non-energy businesses. Combined, plans call for investing a total of ¥116.0 billion for the purpose of expanding new businesses.

Altogether, when including both investments in existing businesses and new businesses, total investment on a consolidated basis is projected to be ¥173.0 billion. According to plans, capital investment will account for ¥103.0 billion of this total on a consolidated basis.

Conditions surrounding the Osaka Gas Group's business activities in fiscal 2010 are expected to be extremely challenging. However, through initiatives aimed at achieving these projections, we intend to expand business fields, establish a rock-solid operating structure and steadily move toward realizing our long-term vision.

(Unit: ¥100 million)

Consolidated	Total Investment	Capital Investment
Domestic energy businesses	525	525
Environment and non-energy businesses	45	45
Investment to improve quality of existing businesses	570	570
Domestic energy businesses	190	160
International energy businesses	670	100
Environment and energy businesses	300	200
Investment to expand existing businesses	1,160	460
Total investment	1,730	1,030
Capital investment by Osaka Gas on non-consolidated basis		625