

Osaka Gas Group's Businesses

The Osaka Gas Group to date has drawn on its diverse and abundant business operations, human resources and technologies, nurtured by more than a hundred years of the gas business, to enrich the lifestyles of its customers and contribute to the development of industry.

Currently, Osaka Gas is vigorously working to evolve, by the year 2020, into a global energy and environmental businesses group, by implementing the Company's long-term management vision and medium-term business plans, "Field of Dreams 2020." To achieve this goal, Osaka Gas is in the process of expanding its business domain and establishing a strong business structure in three pivotal fields: domestic energy businesses, international energy businesses along the energy value chain, and the environment and non-energy businesses.

Osaka Gas seeks to deepen its existing businesses and widen the scope of new business, through business expansion in the three pivotal fields, to propel entire Osaka Gas Group businesses forward.

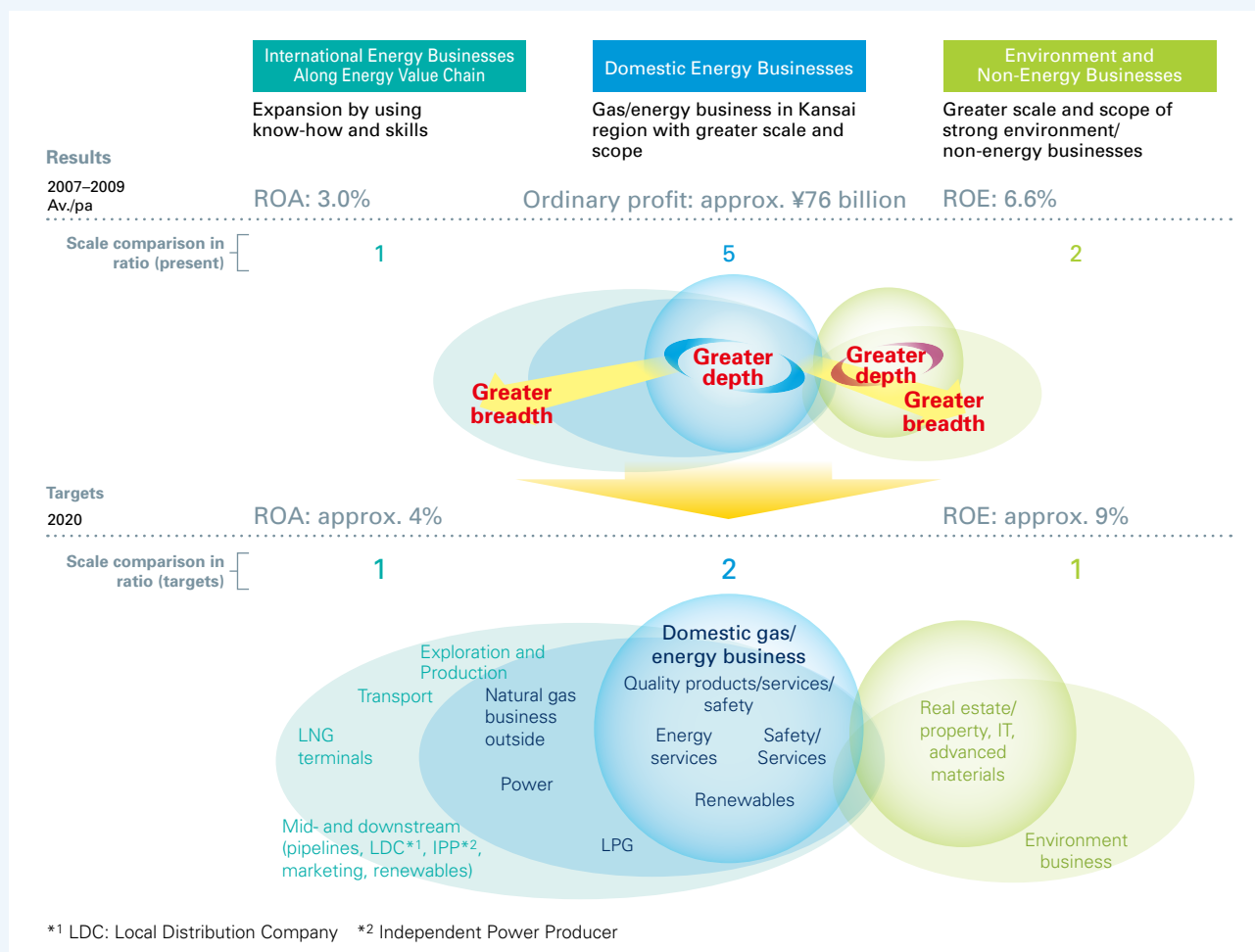
In the domestic energy businesses, we provide high-quality products, services and safety, as well as added value in the form of energy conservation and security in supplying multiple forms of energy including electricity, LPG and renewables. We will also take steps to further expand our services and multi-energy business by achieving greater depth in our gas business in the Kansai region—our core business area.

In the international energy business, we will continue expanding operations globally to achieve a mix of synergies




involving resource development projects of upstream, trading operations leveraging LNG terminals, and pipelines, gas supply and electricity generation of mid- and downstream.

In environment and non-energy businesses, we will bolster and expand our existing strengths in real estate, IT and advanced materials, while cultivating environmental businesses.

Pushing forward with these initiatives, by the year 2020, we aim to achieve ROA of 4% and ROE of 9% on a consolidated basis, respectively, by expanding the international businesses, and the environment and non-energy businesses to collectively match the sales scale of our domestic energy businesses.



Business Directions

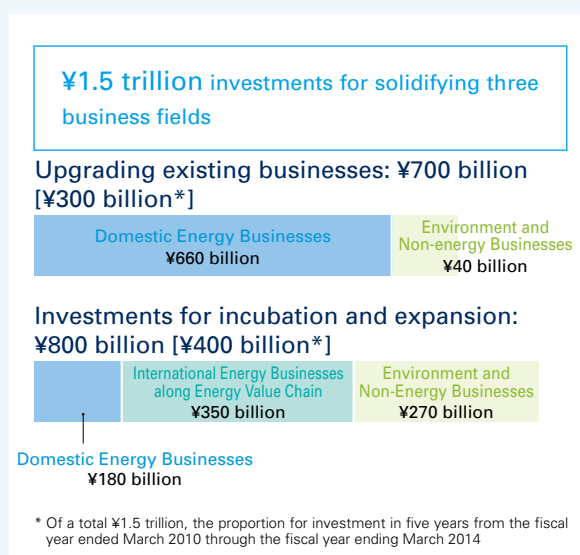
 Domestic Energy Businesses → P26	Gas business	Residential sector Advance energy systems and services contributing to the high level of comfort of customers and environmental friendliness.
		Commercial and industrial sectors Aim for growth as an energy services provider by supplying multi-energy solutions centered on energy conservation technologies. Seek business model evolution in utility management, energy bank, safety and other high-quality, high-value-added services.
		Stable natural gas supply Procure stable and price-competitive LNG to build a natural gas supply infrastructure for the stable supply of gas to customers.
		Ensuring higher level of safety Enhance higher safety levels in gas supply and other gas appliances through proactive measures.
 International Energy Businesses Along the Energy Value Chain → P34	Power business	Power business Build the power business at home and abroad as a second core business after natural gas. Develop the power business further through new capacity development and by restructuring the generation portfolio.
		Upstream/energy trading Participate in equity up to about 15% of LNG supply and seek LNG trading opportunities through equity-lifting.*
 Environment and Non-Energy Businesses → P38	Mid- and downstream Seek global opportunities for achieving stable revenue flow using human resources and know-how of the Group.	
	Environment and non-energy businesses Broaden existing businesses in real estate, IT, and advanced materials fields. Develop new businesses in environment-related fields utilizing own technologies.	

* Ownership of LNG as per equity holding for own off-take and marketing

Management Targets

	2010/3 (Results)	2014/3 (Estimate)	2021/3 (Estimate)
Operating revenues	¥1,187.1 billion	→ ¥1,600 billion	→ ¥2,000 billion
Total assets	¥1,437.2 billion	→ ¥1,850 billion	→ ¥2,100 billion
ROA	3.1%	→ Approx. 3.5%	→ Approx. 4.0%
ROE	6.9%	→ Approx. 8.0%	→ Approx. 9.0%
Return to shareholders	Payout ratio of 30% or more on a consolidated basis, excluding temporary factors affecting the profit situation		
Maintain financial soundness	Shareholders' equity ratio of 40% or more; debt to equity ratio of approximately one		

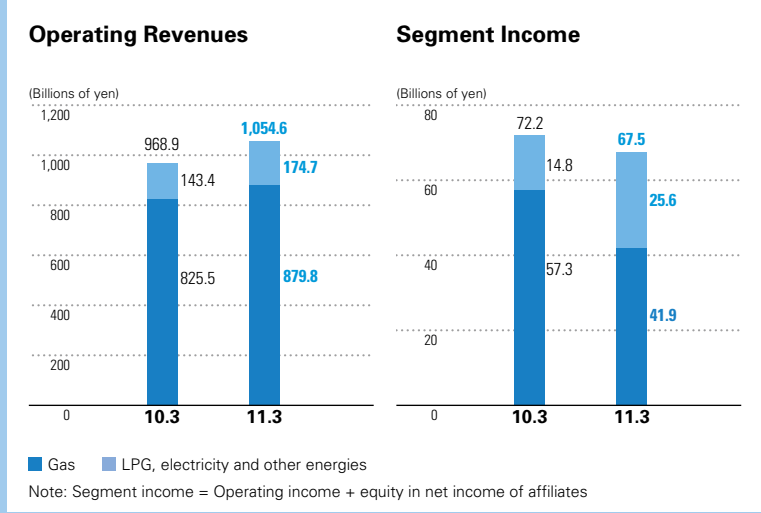
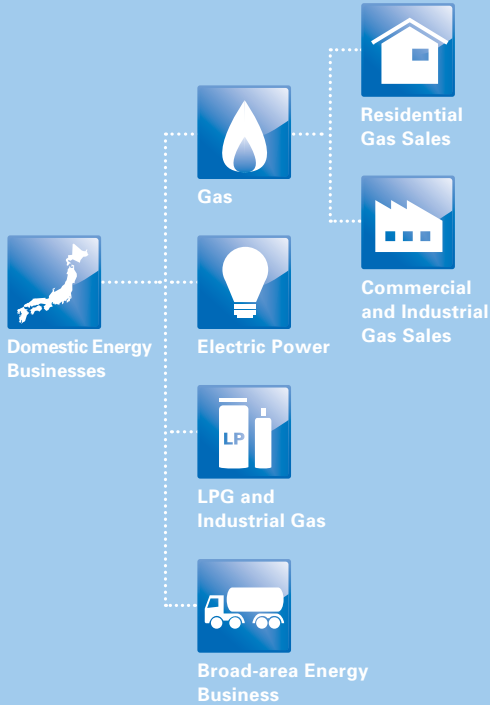
Investment FY2010/3–FY2021/3





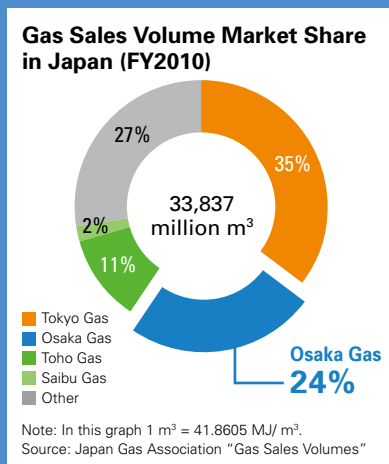
Domestic Energy Businesses

The domestic energy businesses comprise the gas business, the electric power business, the LPG business and the industrial gas business, and the broad-area energy business. The Osaka Gas Group is committed to developing a multi-energy business that contributes to the convenient and enriched lifestyles of its customers. We continue to improve our stable energy supply, safety, and services.



Characteristics of the Japanese Gas Business

There are 211 gas companies in Japan, but the majority of gas sales by volume is accounted for by a few major companies. Japan relies on imported LNG for most of the gas supplied in the country. It was first imported in 1969. In contrast to many other countries, Japan does not have any international gas pipelines or gas pipelines inter-linked nationally. Furthermore, the gas business is operated in an integrated manner — from importation, storage, production and sales.



Comparison of Gas Business: Japan and Western Nations

	Japan	Western nations
Procurement	The majority imported as LNG	Domestically produced or procured from neighboring countries via pipelines
Infrastructure	Pipelines that link to major gas markets are under-developed	Well-developed pipeline network that links gas supply and markets
Competitive environment	Strong inter-fuel competition New players participate in the market	Competition exists only between suppliers of the same kinds of energy
Technology development	Mostly gas suppliers	Mostly manufacturers
Security and safety	Responsible for consumers' assets (even house gas pipes and gas appliances)	Not responsible for consumers' assets (only up to gas meter)

The Gas Business Area



Deregulation of the Gas Industry in Japan

Ever since partial retail liberalization was adopted in 1995, deregulation has progressed by gradually expanding the sphere of retail in the gas business.

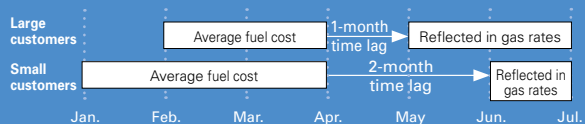
Year	Scope of liberalization	% of national sales open for competition	Features	Customers
1995	2 million m ³ or more per year	47%	Introduction of third-party access to pipelines and fuel cost adjustment system	Large factories and large commercial facilities
1999/2000	1 million m ³ or more per year	52%	Third-party access to pipelines made mandatory (four major companies only)	Medium-sized factories, city hotels, etc.
2004	500,000 m ³ or more per year	55%	Third-party access to pipelines made fully mandatory	Small factories, hospitals, no-frills hotels, supermarkets, etc.
2005	—	—	—	—
2007	100,000 m ³ or more per year	62%	—	—

Sources: Denki Shimbun, "Description of Electric Power Liberalization and New Systems," and Market Monitoring Subcommittee, Urban Thermal Energy Subcommittee of the 2009 Advisory Committee on a and Natural Resources

Characteristics of the Gas Rate System

The price of gas is determined on the basis of the fuel cost adjustment mechanism by reflecting the external factors of foreign exchange rates and crude oil prices. Due to this system, the impact of exchange rate and crude oil price fluctuations on Company performance is neutral over the medium to long term. However, over the short term, performance is affected by changes in these factors because of the time lag between when fuel costs change and when they are incorporated into gas rates.

The Fuel Cost Adjustment System





Gas Business

Business Characteristics and Strengths

The gas business is the core business of the Osaka Gas Group serving users in the Kansai region, Japan's second-largest urban area. Our businesses and services involve producing and supplying natural gas, installing in-house gas pipes, and selling gas appliances. Through technological development, marketing and the formation of new services, the Group has penetrated a wide-ranging cross section of household, commercial, public and medical-use, and industrial customers to meet their diverse energy needs. The Group is also working toward the stable procurement of energy resources and ensuring the soundness of gas infrastructure including the pipeline to deliver gas safely and reliably around the clock.

Overview of Gas Sales

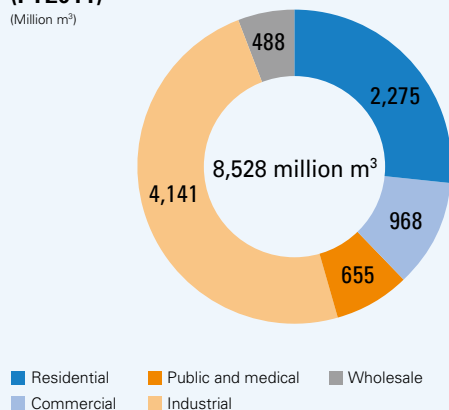
In the fiscal year ended March 31, 2011, gas sales volume of the Company was 8,528 million m³*¹, representing about a quarter of nationwide gas sales. Meanwhile, the number of the Company's customers reached 7.01 million.*² Looking at the breakdown of gas use by sales volume, Osaka Gas sold 4,141 million m³ to its industrial customers, accounting for about half of the total sales volume, and 2,275 million m³ to its residential customers, about one-quarter of the total. Commercial segment sales volume recorded 968 million m³, and public and medical-use sales totaled approximately 655 million m³. On a wholesale basis, 488 million m³ of gas was sold to other gas businesses.

*¹ Total gas sales volume of the Company's other consolidated subsidiaries was 32 million m³.

*² The total number of gas sales customers of the Company's other consolidated subsidiaries was roughly 29,000.

**Gas Sales Volumes by Use (Non-consolidated)
(FY2011)**

(Million m³)



Gas Business

Residential Gas Sales

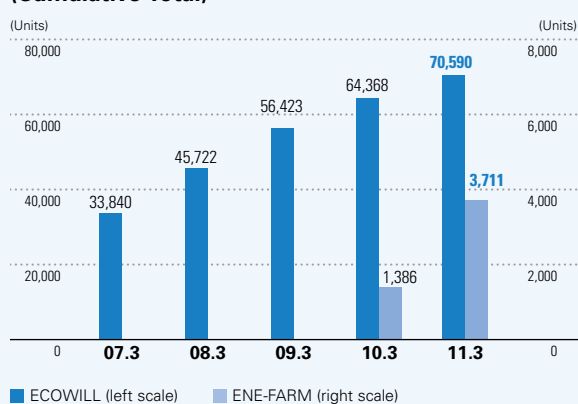
Business Characteristics and Strengths

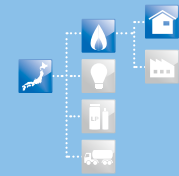
Osaka Gas serves its customers with safe and reliable gas supplies, offering a variety of gas appliances to promote their gas usage. The Company works together with manufacturers to develop new gas appliances to meet customers' needs, and introduce ways to enrich their lifestyles with the products. We are also committed to swiftly responding to our customers' calls for repair and maintenance of gas equipment. Against the backdrop of decreased population, increased smaller families, and intensified competition with all-electric home energy systems in the Kansai region, we are striving to expand gas demand in households through promotion and technological improvement of our residential gas engine cogeneration system "ECOWILL" and residential fuel cell cogeneration system "ENE-FARM." Capitalizing on the environment-friendliness of natural gas, these appliances are designed to achieve higher energy efficiency to contribute to realizing a low-carbon society. The cogeneration systems will enhance energy security as distributed power generation with these systems prevails.

Fiscal 2011 Overview and Initiatives

Residential gas sales volume increased by 1.4% over the previous year, to 2,275 million m³ in the fiscal year ended March 31, 2011, as both atmospheric and water temperatures during the winter's peak demand season were lower than average.


**Residential Cogeneration System Units Sold
(Cumulative Total)**





Cumulative Sales of Residential Fuel Cell Cogeneration System “ENE-FARM” Top 3,700 Units

“ENE-FARM” is an efficient gas-fired distributed power generation system for households. The system generates electricity using hydrogen reformed from natural gas, and efficiently uses recovered heat for hot water supply and space heating. It operates on less energy and emits much less CO₂ compared with conventional power generation. Running on gas, it reduces electricity bills by the amount of electricity it generates. The system has been well-received by our customers for its environment-friendliness and better economy. In the fiscal year ended March 31, 2011, 2,325 units were sold, exceeding the initial target by approximately 36%, with cumulative total sales topping 3,700 units since its launch in 2009. For even greater reductions of CO₂ emissions, Osaka Gas promotes “hybrid power generation,” a combination of “ENE-FARM” or “ECOWILL” with a photovoltaic power generator. The hybrid system has been installed at more than 2,800 households to date.

 For details of hybrid power generation, please refer to page 22.

Developing and Selling Gas Appliances in the Pursuit of Efficiency, Comfort, Convenience and Safety

For the residential sector, Osaka Gas develops and markets gas appliances to contribute to energy conservation and reduced CO₂ emissions. One good example is “ECO-JOZU,” a high-efficiency gas residential water heater that re-uses combustion gases previous models released into the atmosphere. In the fiscal year ended March 31, 2011, 69,000 units were sold, with cumulative total sales reaching 310,000 units.

Gas utilities in Japan have been involved in a campaign to eliminate fire outbreaks from kitchen stoves since April 2008. As part of this campaign, gas companies have promoted the widespread use of Si Sensor kitchen stoves. Such stoves are equipped with a safety device on all burners to prevent flame failure and overheating. Thanks in part to this campaign, over 10 million Si Sensor stoves were sold nationwide as of December 2010, of which 443,000 units were Osaka Gas products. The Company’s sales of the Si Sensor kitchen stoves reached a record 71,000 units in the fiscal year under

review, surpassing the previous record by 16,000 units. Osaka Gas will continue its efforts to develop and promote these safe and convenient kitchen stoves.

Future Business Development Providing Uniformly High Quality Services

Seeking continued support from customers, Osaka Gas continues to engage in grass roots marketing and developing new services. To achieve higher customer satisfaction, we keep improving our customer service by significantly reducing response time in answering our customers’ calls and sending our repair teams to our customers. Our foremost customer service principle is to provide uniformly high quality services across all points of customer contact.

Topics

“Raku Toku” Lease

Providing our customers with easier access to our newest Si Sensor kitchen stoves and ovens, we introduced a “Raku Toku” (easy and economical) lease program in March 2010. In this program, Osaka Gas leases these appliances at affordable rates starting from ¥1,390 a month for a no-oven-built-in unit and from ¥2,050 a month for an oven-built-in unit. The program makes Si Sensor kitchen stoves accessible to many customers, without paying an upfront lump sum to purchase the unit to enjoy our latest models. We have received highly favorable responses to this program from our customers who can enjoy the latest safe and convenient gas stoves. During the fiscal year under review, we had more than 5,700 lease applications, highlighting the increased use of Si Sensor kitchen stoves. Coverage of the “Raku Toku” lease program will be extended to water and space heaters, including the high-efficiency “ECO-JOZU” models, and the “KAWACK” and “MIST KAWACK” bathroom heater/dryer units.





Gas Business

Commercial and Industrial Gas Sales

Business Characteristics and Strengths

In the Group's business-use gas operations for the industrial, commercial, public and medical-use sectors, we encourage customers to continue using gas by supplying them with appliances and services that meet their needs. We also work to attract new customers mainly through demonstrating the environment-friendliness of natural gas and energy-efficient engineering. Our activities in this domain focus on promoting natural gas and its advanced utilization through marketing various gas appliances such as gas cogeneration systems, gas air conditioning systems and gas kitchens, featuring higher safety, convenience, and energy efficiency as well as energy security. Osaka Gas strives to improve the user-friendliness and economy of natural gas for its customers through its efforts to expand businesses of providing broad energy services, going beyond energy supply. Our expansion efforts include managing water treatment systems, lighting facility energy conservation, financing for installing gas equipment, and IT monitoring systems.

Topics

Super-Efficient Modular Air Conditioner System for Buildings "GHP XAIR" Launched

In April 2011, Osaka Gas launched "GHP XAIR," a super-efficient modular air conditioning system for small- and medium-sized commercial buildings. The system is equipped with a super-efficient gas engine heat pump, which achieves higher energy conservation than any other models in the country. It was developed by Osaka Gas jointly with Aisin Seiki Co., Ltd., Sanyo Electric Co., Ltd. and Yanmar Energy System Co., Ltd. In comparison to conventional models, the new system can reduce primary energy consumption up to 19% a year and reduce CO₂ by as much as 20%. Osaka Gas plans to promote the system to customers for a wide range of applications including office buildings, commercial facilities, schools, hospitals and factories.

[GHP XAIR]



Fiscal 2011 Overview and Initiatives

In the fiscal year ended March 31, 2011, industrial gas sales volume increased by 6.8% over the previous year to 4,141 million m³ as capacity utilization among our customers rose in step with a gradual recovery in the economy. Sales volumes in commercial, public and medical use increased by 5.2% over the previous year, to 1,624 million m³, as gas demand associated with air conditioning rose during the summer months.

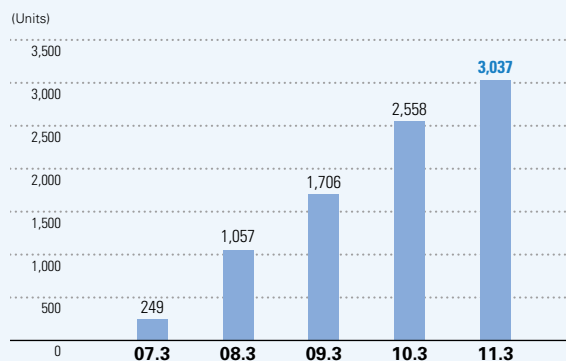
Boosting Switching to Natural Gas

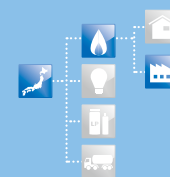
Osaka Gas promotes natural gas as a critical energy source for thermal applications in the industrial sector. During the fiscal year under review, we obtained a number of new customers with large heat demand through our campaign of switching to natural gas for fueling their industrial furnaces and boilers. In particular last year, Osaka Gas launched full-scale LNG sales activities targeting commercial and industrial customers beyond the reach of its gas pipelines.

In Pursuit of Gas Convenience

In the effort to spread the use of gas, Osaka Gas develops and markets a wide variety of gas appliances that meet customers' demands for functionality, economic efficiency, and environment-friendliness. One of our flagship models is the gas-engine heat pump air conditioner "High Power EXCEL" (GHP) for commercial and industrial gas applications. The

High Power EXCEL Units Sold (Cumulative Total)





unit incorporates a gas-powered air-conditioning system with an electricity generator. "High Power EXCEL" uses spare engine capacity to generate electricity during air-conditioner operation, supplying power within the premises and significantly reducing electrical consumption. In the fiscal year ended March 31, 2011, 479 units were sold, with cumulative total sales reaching 3,037 units. The number of customers installing this system has increased steadily. We also expanded our "Suzuchu" lineup of commercial kitchen appliances to over 300 models while launching an aggressive PR campaign to raise product visibility.

Business Expansion as an Energy Service Provider

Going forward, "Energy Services" for comprehensively managing a customer's energy usage will become a core earnings driver for the commercial and industrial domain. These services will not only involve gas supplies, but also the finance, installation, and maintenance of a customer's plant and equipment. In the year under review, the cumulative number of contracts on one such service, "Eco Wave," grew to 862 accounts, and Osaka Gas increased its lineup of new products and schemes. In addition, Osaka Gas markets "Eneflex," a remote system via the internet for monitoring energy consumption for commercial and industrial customers to conserve energy and reduce running costs. In the year under review, the cumulative number of sites installed with this system grew to 1,008

locations. In addition, Osaka Gas is engaged in engineering and consulting services in water treatment systems and power conservation in lighting. As an Energy Service Provider, Osaka Gas continues its efforts to expand the range of unique services.

Future Business Development

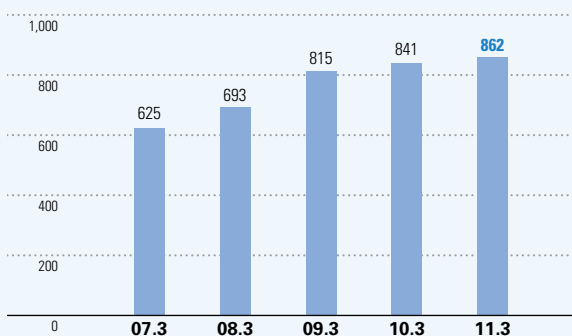
Further Evolution as an Energy Service Provider

The Group plans to tap renewable energies by developing new air-conditioning systems using photovoltaic generation and solar heating and highly efficient methane fermentation technologies that improve the absorption of biogases from sewage sludge and garbage. We also differentiate ourselves and improve competitiveness by offering higher value-added one-stop services. Furthermore, we will collaborate with other gas providers in the region to expand the service area to grow our business.

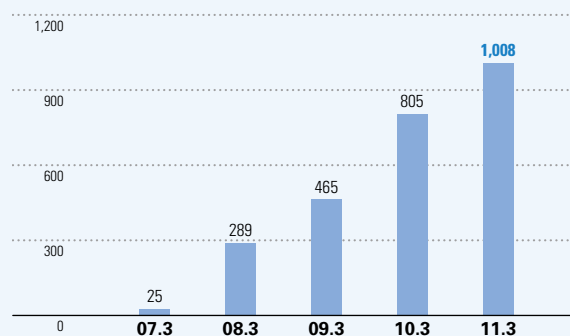
Penetrating and Expanding the Commercial and Industrial Market

To further penetrate the market of commercial and industrial customers with heat demand, we plan to expand our sales channels by drawing upon our sales network of agents and manufacturers. Moreover, we are actively cultivating demand along the Himeji-Okayama Line, scheduled to complete in 2014, to expand our geographic market reach.

Eco Wave Contracts (Cumulative Total)

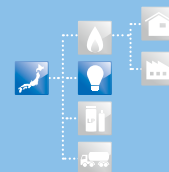


Eneflex Service Locations (Cumulative Total)





Electric Power Business



Business Characteristics and Strengths

The electric power business is an integral part of the multi-energy service business of Osaka Gas. It is a business line leveraging the Group's infrastructure, solution-based marketing techniques and customer network nurtured in the Company's core gas operations. The business consists of three domains: IPP, power generation, and power marketing. In an effort to contribute to environmental conservation, Osaka Gas is actively engaged in carbon-emission-free wind power generation in addition to gas-fired thermal power generation. In power marketing, we sell our electricity through our retail affiliate ENNET Corporation, and wholesale power to Japan Electric Power Exchange (JEPX) to establish a well-balanced marketing portfolio. Domestic power generation capacity of the electric power business is currently around 1.8GW, centered on the 1.1GW capacity of the Semboku Natural Gas Power Plant that commenced operations in 2009.

The Semboku Plant in Stable Operation

The Semboku Natural Gas Power Plant, operational since 2009, is a cutting-edge, highly efficient gas turbine combined-cycle power plant generating electricity from environmentally friendly natural gas. All four gas turbines at the plant were constructed within the Company's Semboku LNG Terminal to achieve enhanced competitiveness with lower cost and synergies with the gas business, which shares

the same space and infrastructure. Throughout the year under review, all four turbines operated without major problems. The power business contributed significantly to the Company's profits mainly due to a spike in electricity demand caused by an unusually hot summer last year.

Future Business Development

With the view to grow the power business into an earnings driver second to the gas business, we maintain the stable operation of the Semboku Natural Gas Power Plant. Meanwhile, we ensure our business risks are hedged with a balanced sales portfolio including both retail and wholesale of electricity. In our long-term commitment to deal with the growing importance of global environmental concerns, we continue to expand our horizons beyond gas-fired thermal generation, to construction and acquisition of wind, solar and other renewable power generation facilities, as well as M&A opportunities of IPP business. Leveraging our ability to coordinate and deliver the best energy mix of gas and electricity to meet customers' demand, we continue our endeavors to become a more reliable multi-energy service provider.

Power Sources Owned by Osaka Gas Group (as of June 2011)

	Power plant	Capacity
Domestic power source	Torishima Energy Center	150 MW
	Nakayama Joint Power Generation	149 MW
	Nakayama Nagoya Joint Power Generation	149 MW
	Himeji Power Plant	55 MW
	Semboku Natural Gas Power Plant	1,109 MW
	Hayama Wind Farm	20 MW
	Hirogawa Myojin-yama Wind Power Plant	16 MW
	Yura Wind Power Plant	10 MW
	Other	115 MW
	Total	1,773 MW

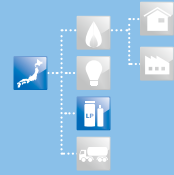
In addition to the above, 1.4GW (Group stake) is sourced abroad.
For further information, please refer to pages 34 and 35.



Semboku Natural Gas Power Plant (Osaka)



LPG and Industrial Gas Businesses



Business Characteristics and Strengths Advantage of the Group's Network in LPG

The Osaka Gas Group's LPG business is mainly to serve customers outside the natural gas service area by providing retail and wholesale supplies of Liquid Petroleum Gas (LPG). The Company takes full advantage of its nationwide network, as well as its knowledge and experience of the natural gas business, to enhance its competitiveness in LPG. The LPG business constitutes multi-energy services of Osaka Gas in combination with natural gas and electricity supplies for both household and industrial users.

Cryogenic Energy Business and Industrial Gas Business

Utilizing the cryogenic energy of LNG, Osaka Gas is involved in businesses such as air separation, manufacturing and marketing of liquefied carbon dioxide and dry ice, high-purity methane, and on-site supplies of hydrogen from a hydrogen producer "HYSERVE." Additionally, in this growing business area of ours, we are expanding business using proprietary technology in low-temperature crushing.

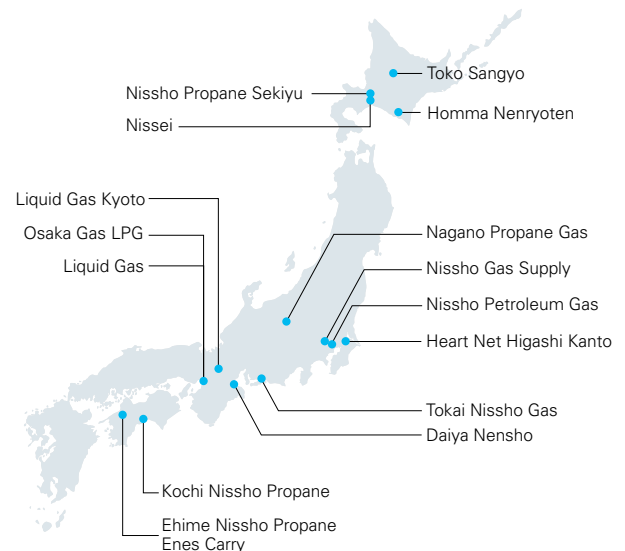
In the fiscal year under review, Osaka Gas further expanded its customer base in this field using the marketing know-how

of its natural gas business while maintaining a stable supply of industrial gas to its customers.

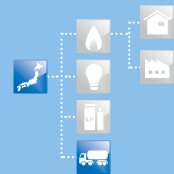
Future Business Development

The Osaka Gas Group will enhance quality and efficiency to strengthen its LPG business. Furthermore, we will enrich multi-energy services including the industrial gas business.

LPG Business Locations



Broad-Area Energy Business



Business Characteristics and Strengths

The Osaka Gas Group does not merely supply natural gas to customers inside the service area. The Group also sells part of the LNG that it procures to large-scale customers outside its service area, and to other utilities, by transporting the gas by truck, train or ship. In addition to the LNG already being supplied to Nippon Gas Co., Ltd. by LNG tanker, the Group is scheduled to begin providing LNG to Okinawa Electric Power Company, Inc. in the fiscal year ending March 2013, and to Shizuoka Gas Co., Ltd., in the fiscal year ending March 2015.

Future Business Development

Osaka Gas will expand the volume of LNG it trades to enhance its competitiveness in procuring LNG. At the same time, it will provide a variety of energy solutions while forming business alliances with other utilities.



International Energy Businesses Along

The Group is expanding its business globally in areas including resource development, LNG terminals, pipelines and IPP.

Business Overview

In the field of international energy business along the energy value chain the Osaka Gas Group strives for stable and flexible procurement of highly competitive supplies of LNG, and builds up a natural gas value chain that extends from upstream to mid- and downstream businesses. By participating in natural gas projects, we intend to secure profitability as well as to maximize synergies among projects by utilizing knowledge, expertise and networks cultivated through the LNG procurement business.

In addition to pushing ahead with the development of our natural gas fields, oil fields and other energy resources in the upstream area, we also promote the development of mid- and downstream operations in LNG terminals, pipelines, gas distribution and IPP projects. In the future, we plan to leverage our LNG terminals and LNG carriers to develop a global operation with a view to enter the global energy trading business.

Investments in International Energy Businesses Along the Energy Value Chain



1 Idemitsu Snorre Oil Development Co., Ltd. (North Sea Oil Field)

- Stake since 2005: 49.49%
 - Estimated reserves: 90 million boe* (crude, etc.)
- *boe: Barrels of Oil Equivalent



2 Amorebieta IPP

- Stake since 2005: 50%
- Power generation capacity: 378 MW (Group stake)



3 Sagunto LNG Terminal

- Stake since 2010: 20%
- Vaporization capacity: 6.4 million tons/year



5 Qalhat LNG Terminal

- Stake since 2006: 3%
- Liquefaction capacity: 3.3 million tons/year



4 Shuweiht S2 IWPP

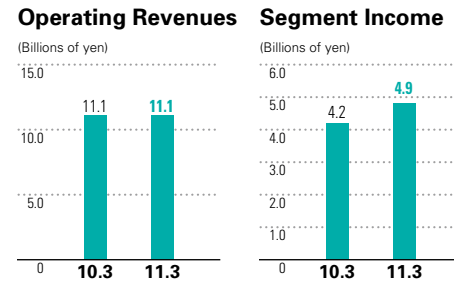
- Stake in 2011: 10% (25% equity interest in the operation and maintenance company)
 - Power generation capacity: 150 MW
 - Fresh water processing capacity: 10 million gallons/day
- Operations scheduled to commence in the fall of 2011



6 Gorgon Project Gas Field

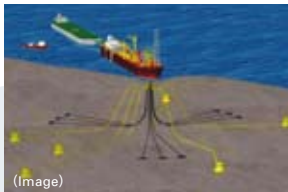
- Stake since 2009: 1.25%
- Projected output: 15 million tons/year (Start of production scheduled for 2014)
- Estimated reserves: 800 million tons natural gas (LNG equivalent)

the Energy Value Chain



7 Universe Gas & Oil Company, Inc. (Sanga Sanga Gas Field)

- Stake since 1990
- 4.375% stake in mining concession



8 Crux Condensate Field

- Stake since 2007: 15%
- Estimated reserves: Approx. 60 million bbl condensate



9 Sunrise Gas Field

- Stake since 2000: 10%
- Estimated reserves: 110 million tons natural gas (LNG equivalent)
Approx. 230 million bbl condensate



10 EII

- Stake since 2008: 30.2%
- Four pipelines, two gas-refining facilities, two power plants, two interconnected power lines



11 Hallett 4 Wind Farm Project

- Stake since 2009: 39.9%
- Power generation capacity: 52 MW (Group stake)



12 Shale Gas Development Project

- Stake in 2011: 7.5%
- Estimated reserves: About 100 to 160 million LNG-equivalent tons of natural gas



15 IPPs in USA (including Guam)

- Stake since 2005
- 8 IPP projects
- Power generation capacity: 447 MW (Group stake)



14 Tenaska Gateway IPP

- Stake since 2004: 40%
- Power generation capacity: 338 MW (Group stake)



13 Freeport LNG Terminal

- Stake since 2008: 10%
 - Vaporization capacity: 13 million tons/year
- Photo provided by: Freeport LNG Development L.P.

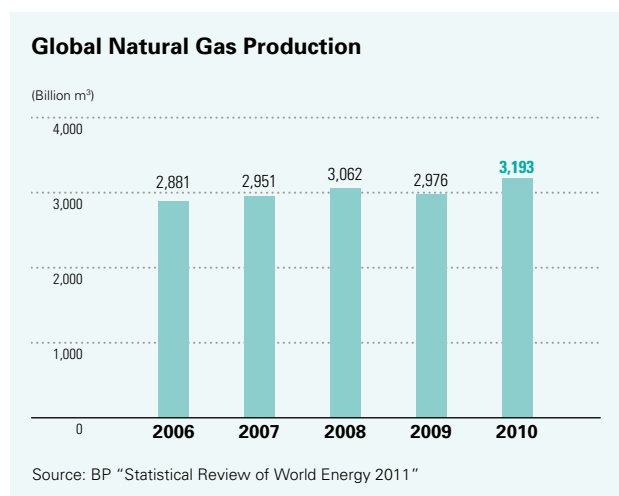
Upstream Business (Resource Development Business)

Our upstream business activities have the primary goal of securing a flexible and stable supply of LNG for the domestic gas business. The upstream businesses we have participated in have not only contributed substantially to the expansion of the Group's earnings, but also to the stabilization of those earnings in times of surging crude oil prices.

Looking into the future, we will continue working for the early commercialization of our overseas energy projects, and acquiring new high-quality assets. By the year 2020, we plan to increase the LNG equity holdings that allow us to sell the resource in proportion to our interest percentage up to 15% of the entire LNG traded by the Group. With this strategy, we intend to improve the flexibility and stability of our LNG procurement with the aim of participating in the world LNG markets in the future.

Shale Gas Development Project in Canada

In May 2011, Osaka Gas decided to participate in a shale gas development project in Canada. Shale gas has become available as a natural gas resource thanks to technological innovations in recent years which have reduced the cost of natural gas production in comparison to conventional sources. Shale gas is a new type of resource that has gained growing attention around the world for its vast reserves. Also within scope is a feasibility study we are conducting with our partners for the potential future export of shale gas in the form of LNG to Japan.



Mid- and Downstream Businesses

The Osaka Gas Group has been aggressively seizing opportunities for equity participation in various overseas energy projects including LNG terminals, pipelines and IPP businesses. Our primary goals in this business field are to establish energy businesses which Osaka Gas operates with its energy business know-how and to further increase revenue stability for the entire Group.

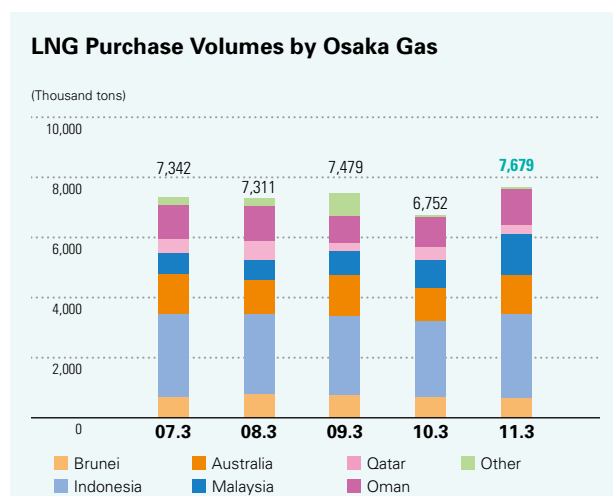
We will further expand these businesses and examine new interest opportunities in gas distribution businesses.

Water and Power Project in the UAE

In March 2011, Osaka Gas reached an agreement for acquiring equity in the Shuweihat S2 Independent Water and Power Project now under construction in Abu Dhabi, in the United Arab Emirates (UAE). In this project, Osaka Gas holds the shares of a business company and an operation and maintenance company for the project originally invested by Marubeni Corporation. Osaka Gas expects long-term and stable earnings from the project, which is scheduled to enter a 25-year contract for selling water and power once commercial operation commences in the fall of 2011.

LNG Terminal Project in Spain

In December 2010, Osaka Gas invested in the Sagunto LNG terminal in Spain. This marked the Company's second investment in an overseas LNG terminal, following the Freeport LNG terminal in the U.S. The Company's policy in overseas LNG terminal operations is to acquire equity in LNG terminals that are located near the LNG consumption areas of industrialized nations, with the aim of developing trading businesses that will function in tandem with upstream businesses.



Wind Farm Project in Australia

In Australia, Osaka Gas, along with the APA Group, a major Australian energy company, and Marubeni Corporation, built "Hallett 4," a wind farm, which commenced operation in June 2011.

Procurement of Energy Resources

Diversification of LNG Procurement

The LNG the Osaka Gas Group businesses currently use is entirely imported from abroad. Due to the expansion of global energy demand driven by emerging nations, and the changes in energy market conditions accompanying economic fluctuations, securing a long-term stable LNG supply became a key issue for the Group's management. In the fiscal year ended March 31, 2011, we procured LNG under long-term contracts from six countries: from Indonesia, Brunei, Malaysia, Australia, Qatar and Oman. In addition, we have plans to begin procurement from Russia in the year ending March 2012, and from Papua New Guinea by the end of 2013. The year ending March 2013 will also mark the commencement of LNG procurement through the portfolio supply of the Royal Dutch Shell Group. In our LNG procurement policy, we are focused primarily on long-term contracts, but they are combined with mid- and short-term arrangements for improving supply flexibility to deal with demand fluctuation.

LNG Transportation

Having our own LNG transportation capability not only reduces LNG shipping costs but also expands business opportunities in vessel leasing, LNG trading and other activities. In line with the Company's procurement policy, we will examine the possibility of enlarging our fleet of LNG carriers.

LNG vessels utilized by Osaka Gas



LNG Flora



LNG Vesta



LNG Jamal



LNG DREAM

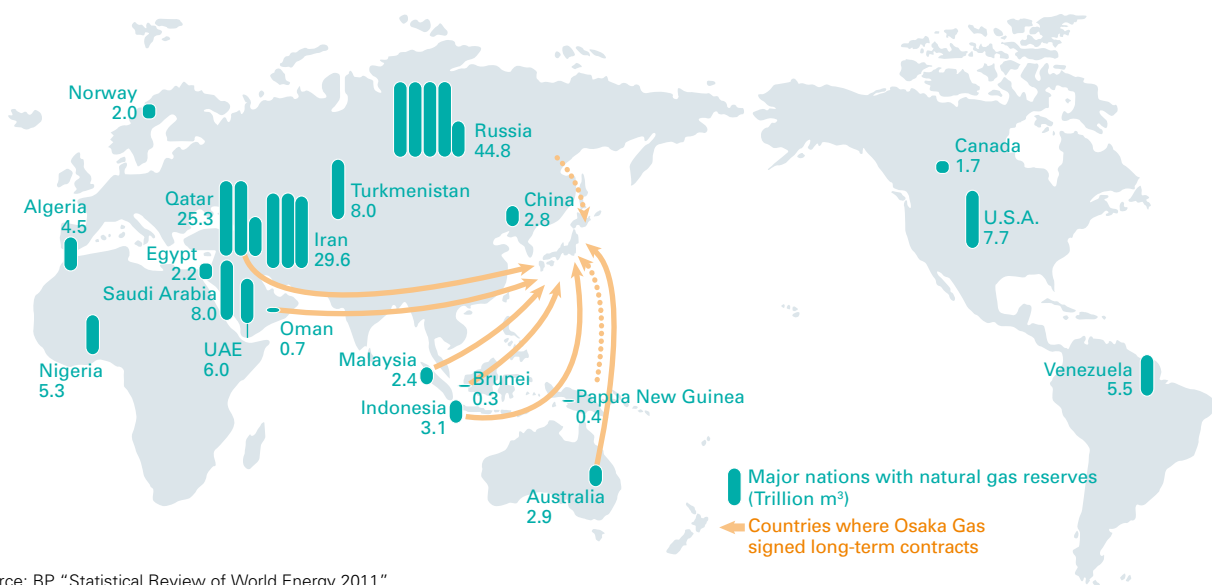


LNG BARKA



LNG JUPITER

Major Nations with Natural Gas Reserves and Suppliers to Osaka Gas



Source: BP "Statistical Review of World Energy 2011"



Environment and Non-Energy Businesses

The Group is drawing upon its technical expertise and eyeing business development in the environmental field—especially real estate, IT, and advanced materials—to deepen and expand its business.

Real Estate Business (Urbanex Group)

Business Characteristics and Strengths

In the real estate business field, Osaka Gas Group subsidiaries and affiliates develop, lease and sell office buildings, housing and other properties by utilizing the existing real estate assets and newly acquired prime assets of the Company. At the same time, the Group operates a research park in Kyoto, as a collaboration base for the private, academic and public sectors in creating new industries. We are also engaged in efficient management and maintenance of office buildings, hospitals, commercial facilities, hotels, and schools and other facilities, with the aim of energy conservation and the reduction of CO₂ emissions.

Fiscal 2011/3 Overview and Future Initiatives

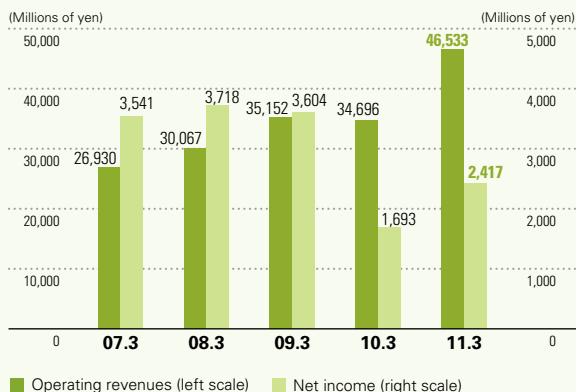
In the real estate leasing business, the fiscal year under review saw an increase in earnings attributed to operations commencing at one new office building and two new residential assets, along with a rise in occupancy rates of the Osaka Gas Group real estate assets. In condominium sales, our swift sell-out strategy succeeded and contributed to a major increase in revenue. This was achieved against a market backdrop in which recovery had remained out of sight for all but the most convenient downtown condominiums.

We will continue to acquire prime pieces of real estate and expand business. Furthermore, we will generate synergies with the energy businesses of the Company by marketing properties equipped with the latest models of gas appliances including “Mist Sauna,” gas stoves with glass tops and floor heating, to name but a few. Through these tactics, we aim to be one of the Kansai region's top integrated real estate groups.



Kyoto Research Park No. 9

Operating Revenues and Net Income of The Urbanex Group



IT Business (OGIS-RI Group)

Business Characteristics and Strengths

Having started with system development for its own gas operations, the Group's IT businesses offer a wide range of services to customers in the manufacturing, finance and distribution fields including design, consulting, development, operation and maintenance of IT systems. The Group also offers some of the most advanced technology in the country related to Model Base Development using the effective Unified Modeling Language (UML) to develop efficient systems.

Fiscal 2011/3 Overview and Future Initiatives

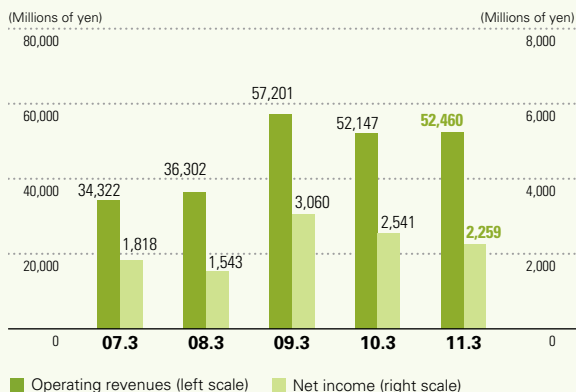
Amid a stagnant economic environment, Group businesses in the IT domain managed to maintain the same level of net sales as the previous year's in the year ended March 31, 2011. By contrast, profits of IT businesses decreased due to downward pressure on unit prices and other factors. Going forward, the Osaka Gas Group's IT businesses will continue to offer a solution menu including Cloud Integration for bringing network systems and customer systems together, “virtual hosting” and “Business Guru Map,” among other services. At the same time, the IT segment aims to become a total solution provider by accelerating BTO (built to order) system development*¹ which achieves customization for costs at mass production level, and Agile system*² which responds quickly to customers' requests.

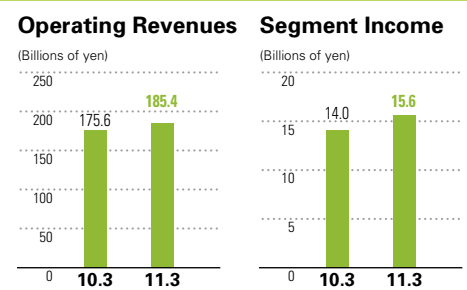
Notes:

*1. BTO (built to order) system development: An approach that makes use of semi-finished products to apply the business models used in hardware manufacturing to software development in order to enable the production of individual products for individual customers at costs as low as those for mass production.

*2. Agile system development: In this approach systems are divided into small and quickly completed units, each in accordance with their component functions. A system is built up in stages with the phased completion of the units. This approach offers customers the advantage of performing test runs of the software right from the beginning, at each stage along its development.

Operating Revenues and Net Income of The OGIS-RI Group





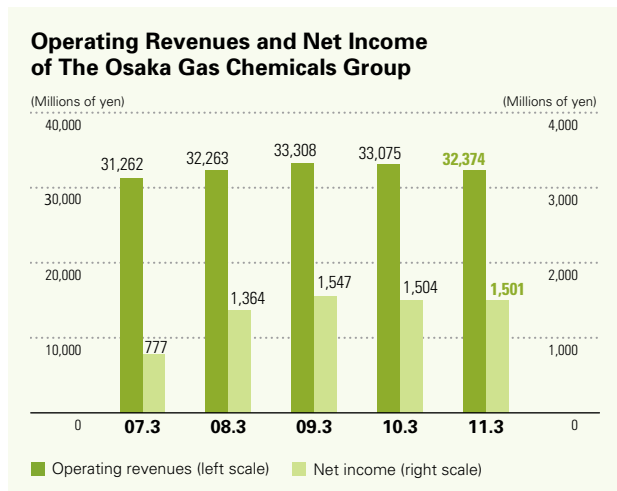
Advanced Materials Business (Osaka Gas Chemicals Group)

Business Characteristics and Strengths

This business domain draws on the accumulated coal chemical technology of Osaka Gas to operate a variety of businesses ranging in application from electronics to the environment. In the fine materials field, the group manufactures and sells fluorine derivatives with excellent optical properties and outstanding heat resistance. Those derivatives are used as materials in fabricating LCD films and camera lenses in mobile phones. Products manufactured and marketed in the carbon materials field include molded carbon-fiber insulation for use in fusion furnaces that process polysilicon for use in photovoltaic cells, activated charcoal for various applications, household environmental products using activated charcoal such as water purifier cartridges and air purifying filters, and preservatives including a widely recognized brand of wood protective paints.

Fiscal 2011/3 Overview and Future Initiatives

In the year ended March 31, 2011, the chemicals businesses of the Osaka Gas Group reported earnings roughly on par with the previous fiscal year, thanks to earnings growth in preservatives. This was achieved against an increasingly uncertain business environment in which competition intensified even as the economy remained sluggish. Going forward, the Group will expand sales channels and develop new applications in a variety of fields, including fine materials, carbon materials, household environmental products, activated carbon fiber, and preservatives. At the same time, the Group will leverage its advancing technologies in order to achieve business expansion, including the development of negative-electrode material with the aim of entering the rapidly expanding market for lithium-ion rechargeable batteries. The Group, moreover, will aim to grow as a "Sustainable Value Creator" to bring the best products and solutions to its customers to maximize value.



Service-Related Businesses

Business Characteristics and Strengths

The Group is involved in a wide array of service-related business fields, including a research and consulting business using scientific methods of human behavior observation to contribute to productivity improvements in the service industry workplace, facilities operation of the COSPA and other sports centers, leasing of cars and various equipment, facilities management, temporary staffing, a for-profit retirement home, and wedding services. These businesses help raise the brand value of the Osaka Gas Group and contribute to efficient Group operations.

Fiscal 2011/3 Overview and Future Initiatives

In February 2011, one of our Group companies, Osaka Gas Business Create Co., Ltd., acquired all shares in Hohoemie Co., Ltd. (currently Osaka Gas Excellent Agency Co., Ltd.), a temporary staffing agency specializing in technically-trained personnel, for conversion into a wholly owned subsidiary. Osaka Gas Business Create acquired Hohoemie in response to the varying human resource needs of its customers, with the aim of bolstering its capacity as a business support company. In other areas, the Osaka Gas Human Behavior Observation Research Center and L-NET CO., LTD. led PR activities aimed at raising the social awareness of businesses in human behavior observation. Improving the response to customers' needs, the Group companies in the service-related area will continue to develop businesses to hedge the risks of the gas operations while searching for growth opportunities.



Operation of sports facilities
OG Sports Co., Ltd.



Wedding service business
Planetwork Co., Ltd.