Q

Could you analyze the market environment and business performance for the fiscal year ended March 31, 2010?

A

Economic trends in Kansai region

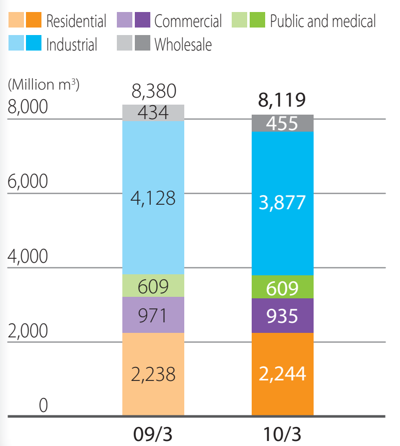
Economic trends in the Kansai region, the main gas supply area of the Group, are breaking free from the sharp fluctuations in the business environment that began in the fall of 2008. There are also signs that consumer and capital spending is improving in some sectors. However, these improvements do not add up to a full-scale economic recovery. In particular, in the fiscal year ended March 31, 2010, gas sales volumes for industrial use amounted to only 93.9% of the previous year's sales, and only 87.2% of the levels of the fiscal year ended March 31, 2008.

This and other signs indicate that business demand will take more time to recover.

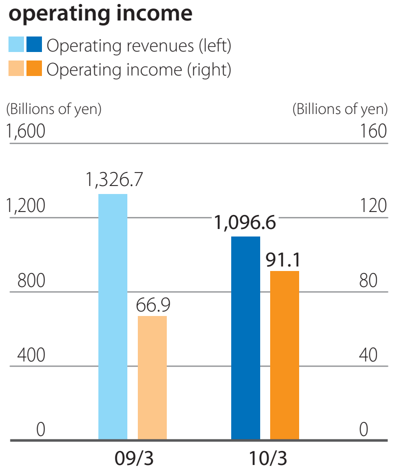
Revenues decline and profits increase in the fiscal year ended March 31, 2010

Against this backdrop, the fiscal year ended March 31, 2010 saw Group revenues decline and profits increase. Lower gas sales volumes for industrial use and the drop in gas prices precipitated by tumbling LNG prices drove down year-on-year operating revenues by 17.3%, to ¥1,096.6 billion. On the other hand, operating income increased by 36.2% year on year, coming in at ¥91.1 billion. This was due to falling fuel costs in the wake of the LNG price slump, which significantly boosted gross profits from gas sales. A further factor was the profit from the operation of the Semboku Natural Gas Power Plant. Therefore, net income amounted to ¥48.3 billion, up by 34.2% year on year. These results demonstrated our ability to prevail and achieve sound performance despite the unfavorable business conditions experienced in the fiscal year ended March 31, 2010.

Gas sales volumes by use (non-consolidated)



Operating revenues and operating income



Q

Could you explain the concept behind the medium-term business plan "Field of Dreams 2020," which was launched in the fiscal year ended March 31, 2010, and evaluate the plan's first year?

A

Target business scale ratio of our domestic, international, and environment and non-energy businesses = 2:1:1

The guiding principle of "Field of Dreams 2020" is to expand business in the three pivotal areas of "domestic energy businesses," "international energy businesses along the energy value chain" and "environment and non-energy businesses." One of the major goals that we have set for ourselves relates to the scale ratio of these businesses. We have set a target ratio of 2:1:1 for 2020 on an ordinary profit basis. What this means is that we are trying to maximize profits by expanding our business in both business areas and business domains. In terms of business areas, we are expanding our gas business from the Kansai region into the whole of Japan, and then into the international market. This will be achieved by developing the business in line with the natural gas value chain. With respect to business domains, we will expand multi-energy businesses including gas and electricity businesses, upstream and midstream businesses, including resource development and LNG terminal businesses, as well as environmental and other businesses along with real estate, information technology and advanced materials businesses. Through the expansion of these businesses, we seek to achieve increased profitability and steady growth.

Off to a great start in its first year

I think that "Field of Dreams 2020" made a great start in 2010, its first year. Operations at the Semboku Natural Gas Power Plant, a project that we have invested in, were launched without a hitch. We also achieved solid progress in investments for incubation and expansion, having already decided to invest ¥130 billion of the ¥400 billion that we have earmarked for this purpose over the next five years, from the fiscal year ended March 31, 2010 through the fiscal year ending March 31, 2014. Investments for incubation and expansion are one of the key objectives of "Field of Dreams 2020." I therefore believe we have laid important groundwork for advancing future growth strategies.

Q

What is the status of and results achieved in the business areas that you focused on in the fiscal year ended March 31, 2010?

A

Domestic energy businesses — the launching of "ENE-FARM" sales and Semboku Natural Gas Power Plant operations

Even in our individual businesses, there have been praiseworthy developments that have contributed to the growth of the Company. "ENE-FARM," which was launched in June 2009, is a fuel cell for households that the Company has researched and developed for many years. We expect this product to be our "ace in the hole" for achieving a society with low-carbon emission rates in the household market. Despite the slump in the market for new detached homes, the Company sold over 1,300 units, exceeding its initial sales target by 40%. In fiscal 2011, we are aiming for an even higher sales target of 1,700 units. Furthermore, we have decided to construct a Himeji-Okayama Line, for which we expect demand from the commercial and industrial sectors. Completion of the Line is scheduled for 2014.

In terms of its importance to the Company, our electricity business comes second only to our gas business. Between April and November in 2009, power generating units at the Semboku Natural Gas Power Plant (total capacity 1.1GW) were launched in phases successfully.

International energy businesses along the energy value chain — participation in the Gorgon Project and a wind power generation project

In the international energy businesses along the energy value chain, September 2009 saw the Company conclude a contract to acquire 1.25% equity in the Gorgon Project — a natural gas field located in northwestern Australia. This is the largest overseas investment ever made by the Company. In October, the Company decided to participate in the planning of the "Hallett 4" wind farm, a wind power generation project that will be developed by Australia's largest energy company, AGL Energy Limited.

Environment and non-energy businesses

In our environment and non-energy businesses, advanced materials business area has experienced booming sales of fine materials used in LCD film and high-definition camera lenses on cell-phones. In the real estate business, leasing has remained robust.

Long-term Management Targets — Increase Corporate Value

	2010/3 (Results)	2014/3 (Estimate)	2021/3 (Estimate)
Operating revenues	¥ 1,096.6 billion	¥ 1,600 billion	¥ 2,000 billion
Total assets	¥ 1,483.8 billion	¥ 1,850 billion	¥ 2,100 billion
ROA	3.3%	Approx. 3.5%	Approx. 4.0%
ROE	7.6%	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	Shareholder's equity ratio of 40% or more; Interest-bearing debt to equity ratio of approximately one

Business Directions

Domestic energy businesses	Gas business	Residential sector	Advanced energy systems and services contributing to customers' higher level of comfort and environment-friendliness
		Commercial and industrial sectors	Explore growth opportunities as energy services provider through enhanced value of services; evolution of business model based on energy-saving technologies to utility management, energy bank, and safety services
		Stable natural gas supply	Stable and price-competitive LNG procurement and building natural gas supply infrastructure for stable supply of gas to customers
		Ensuring higher level of safety	Enhancing higher safety levels in gas supply and of gas appliances through proactive measures
	Power business	Power business	Building power business at home and abroad as a second core business after natural gas. Further development of power business through new capacity development and restructuring of generation portfolio
International energy businesses along the energy value chain		Upstream/energy trading	Equity participation up to about 15% of LNG supply and seek LNG trading opportunities through equity-lifting*
		Mid- and down-stream	Seeking global opportunities for achieving stable revenue flow using human resources and know-how of the Group
Environment and non-energy businesses		Environment and non-energy businesses	Broadening existing businesses in real estate, IT, and advanced materials fields. Developing new businesses in environment-related fields utilizing own technologies

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

Consolidating Business Foundations

Technological development and strategic use of IT	Technological development and IT	Promoting technological development and utilizing IT in order to "broaden business fields" and "fortify solid business foundations"
Streamlining the Group organizational structure	Group organizational structure	Reengineering the Group structure to create a "lean and mean" organization while pursuing higher productivity

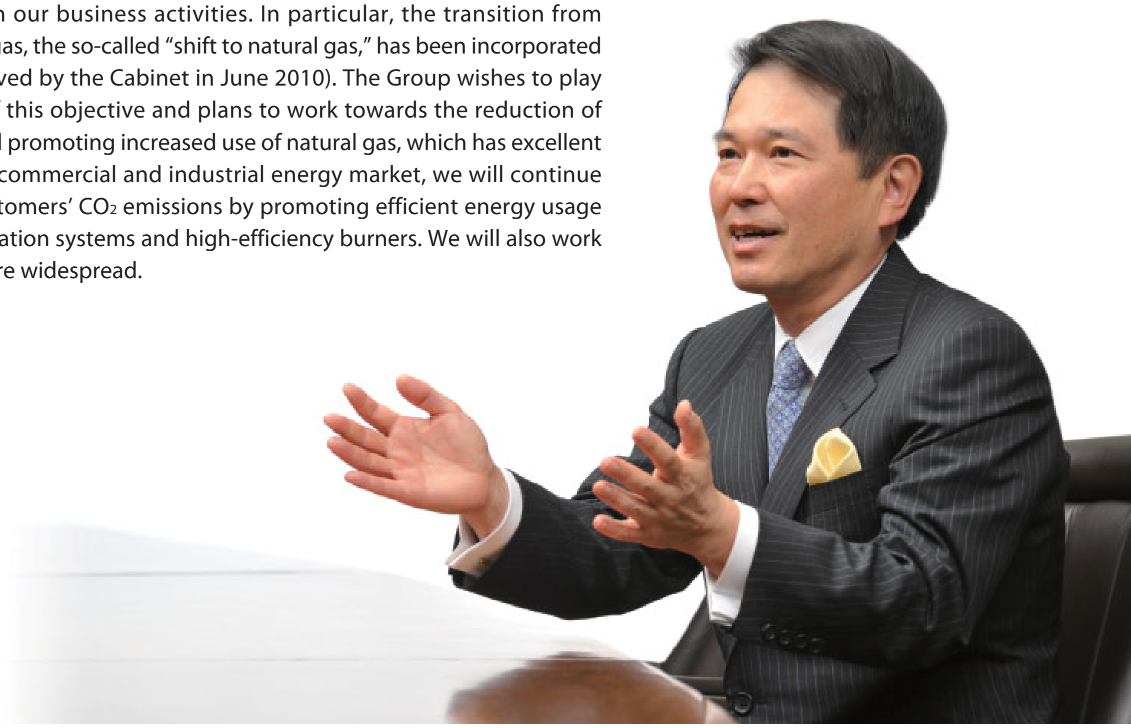
Q

What are the Group's policies on global warming, and what actions has it taken?

A

Popularizing and promoting increased usage of natural gas

As a company involved in the energy business, one important challenge we face is achieving harmony with the environment and the efficient utilization of energy and resources through our business activities. In particular, the transition from petroleum-based fuels to natural gas, the so-called "shift to natural gas," has been incorporated into the Basic Energy Plan (approved by the Cabinet in June 2010). The Group wishes to play a pivotal role in the realization of this objective and plans to work towards the reduction of CO_2 emissions by popularizing and promoting increased use of natural gas, which has excellent environmental properties. In the commercial and industrial energy market, we will continue to contribute to reducing our customers' CO_2 emissions by promoting efficient energy usage through the utilization of cogeneration systems and high-efficiency burners. We will also work to make the use of natural gas more widespread.



Q

What are the Group's management policies and business plans for the fiscal year ending March 31, 2011?

A

Activities aimed at realizing a low-carbon society

The Group has designated the fiscal year ending March 31, 2011 as a year of action for working towards the achievement of the goals of our business plan, "Field of Dreams 2020." A key theme within this plan is promoting businesses that contribute to the realization of a low-carbon society. In our quest to popularize and promote the increased usage of environmentally friendly natural gas, the Group will continue to propose efficient ways for households to use energy that produces less CO_2 emissions. We will do this by further expanding sales of our "ENE-FARM" fuel cells, which have been launched. Another way that we will work towards this goal is by promoting the widespread use of "hybrid power generation," a technique which further enhances energy efficiency by combining "ENE-FARM" and "ECOWILL" products with photovoltaic power generation. In the area of commercial and industrial energy, we will promote the shift from petroleum-based fuels to natural gas and expand our business by adding value as an energy service provider.

Broadening our business fields

The Group will strengthen its domestic energy businesses in order to broaden business fields contained in "Field of Dreams 2020." We will do this by joining forces with energy businesses in various regions to supply natural gas over a wider area and expanding our energy business through full-year operation of our Semboku Natural Gas Power Plant. In our international energy businesses along the energy value chain, we will expand businesses in areas such as IPP, pipeline and gas supply in advanced Western nations and other nations where the country risk is low, as well as upstream businesses including resource development. Furthermore, in our environment and non-energy businesses, we will develop new environmental businesses and expand our existing businesses. Moreover, we will actively develop technology, including our new syngas manufacturing process (AATG Process) and smart energy networks, which will contribute to the realization of a low-carbon society.

Plan to increase revenues and reduce profits in the fiscal year ending March 31, 2011

Turning now to our performance in the fiscal year ending March 31, 2011, although revenues are expected to increase due to factors that include the growth in gas sales volumes accompanying economic recovery, operating income are expected to decline due to temporary losses caused by the time lag in the fuel cost adjustment system. Nevertheless, if these temporary losses were eliminated, profits would increase steadily.

Business plan for FY2011

(Billions of yen)

	10/3 Results	11/3 Plan	Change
Operating revenues	1,096.6	1,175.0	+7.1%
Operating income	91.1	72.5	−20.5%
Net income	48.3	37.0	−23.5%

(Million m³)

Gas sales plan (non-consolidated)	10/3 Results	11/3 Plan	Change
Residential	2,244	2,282	+1.7%
Commercial	935	939	+0.5%
Public and medical	609	578	−5.1%
Industrial	3,877	3,931	+1.4%
Wholesale	455	440	−3.2%
Total	8,119	8,170	+0.6%

(GWh)

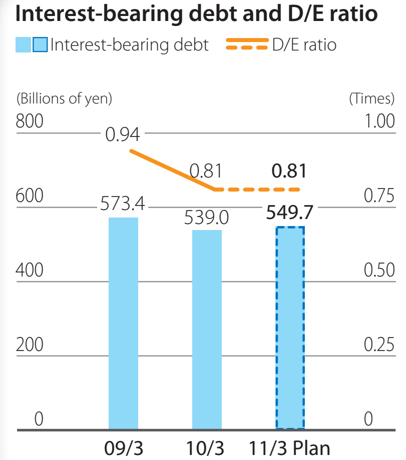
Electricity sales volume plan	5,441	6,767	+24.4%

Q The Group's interest-bearing debt has exceeded ¥500 billion. What is the Group's financial policy and investment plan going forward?

A Maintaining financial soundness
We will maintain shareholders' equity of 40% or over and a debt-to-equity ratio of one over the mid- to long-term

The Group as a whole will continue to invest in order to achieve the goals of "Field of Dreams 2020." The total amount of investments is expected to reach ¥1.5 trillion by the fiscal year ending March 31, 2021. However, under our plan, the amount of investment is expected to achieve a near balance with projected operating cash flows of ¥1.8 trillion. Therefore, I do not believe that interest-bearing debt will grow significantly as a result of investment. As a yardstick for measuring the soundness of our finances, we are aiming to maintain shareholders' equity of 40% or over and a debt-to-equity ratio of about one over the mid- to long-term.

Interest-bearing debt and D/E ratio



Q What is your policy on shareholder returns?

A Philosophy on dividends and share buy-back

The Company is fundamentally committed to the ongoing provision of stable dividends. At the same time, within the distributable surplus of the Company, we are aiming to achieve a consolidated dividend payout ratio of 30% or more, after eliminating factors that cause profits to fluctuate in the short-term. In terms of share buy-back, we may flexibly repurchase our own shares when we believe that our financial and cash flow conditions allow us to do so after making investments in future business growth.

Increasing the target dividend for the fiscal year ending March 31, 2011 by one yen per share

In the fiscal year ended March 31, 2010, the Company paid out a dividend of 7 yen per share. In the fiscal year ending March 31, 2011, we are aiming to pay out a dividend of 8 yen per share. We expect that the outcome of investments made to date, such as the full-year operation of our Semboku Natural Gas Power Plant and growth of our affiliated companies, will contribute to our bottom line. We have made sound decisions for investments for incubation and expansion and anticipate that this will contribute to future profits. Thus, while we are continuing to invest for future growth, the Company will determine shareholder returns such as dividends and share buy-back taking into account earnings, business plan progress, financial and cash flow conditions, among other factors.

Q Finally, what message do you have for shareholders and stakeholders?

A Under the business plan "Field of Dreams 2020," the Osaka Gas Group is committed to becoming a business group that realizes the dreams of each of its shareholders and stakeholders through the contributions that it makes towards improving the global environment, making customers' lives more comfortable and increasing business prosperity. We will achieve this goal by growing together with our employees. Although future prospects in the business environment remain clouded by uncertainty, we view changes in the market environment as business opportunities. Thus, we will energetically press on to achieve the goals of "Field of Dreams 2020" by taking on the challenges presented by changes in the structure of our business.