



# Osaka Gas Group's Businesses

Domestic Energy Businesses

International Energy Businesses along the Energy Value Chain

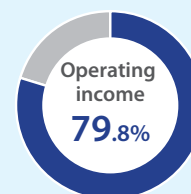
Environment and Non-Energy Businesses

(Photo) Semboku Natural Gas Power Plant

At the Semboku Natural Gas Power Plant we began construction of the first unit in October 2006 and commenced operations at all four units in 2009 (total output: 1.1 GW). We have designated power generation as our second-most important business after natural gas, and plan to use the multiple-energy source format as a basis for gas and electricity sales expansion.

# Domestic Energy Businesses

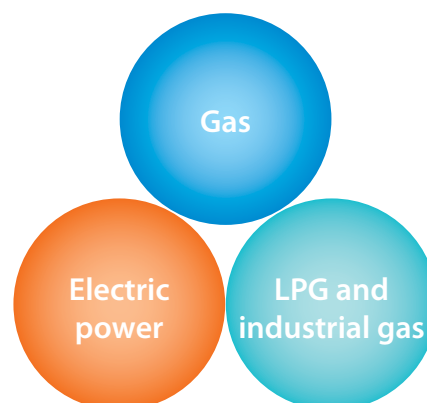
The Osaka Gas Group is not only improving the quality of its gas business in its supply area, but is also developing wide-ranging multi-energy businesses together with the electricity and LPG businesses.



(Fiscal 2010)

## Domestic Energy Businesses

The domestic energy businesses are comprised of the gas, electric power, LPG and industrial gas businesses. The Group has developed a comprehensive system to offer stable supply, safety, and services, and is a multi-energy provider helping to achieve customer convenience and richer lives.



### The gas business area



The Company's supply area spans 78 cities and 29 towns in the six prefectures of the Kansai region\*, an area of 3,200km<sup>2</sup>, using 59,000km of its gas pipeline network. In the eastern side of the supply area, the Company and Chubu Electric Power Co., Inc. are working together to construct the Mie-Shiga Line (a pipeline approximately 65km long between Tago Town in Shiga Prefecture and Yokkaichi City in Mie Prefecture, with planned completion in 2014) in order to improve the reliability of gas

supply. The Himeji-Okayama Line (a pipeline approximately 85km long between Himeji City in Hyogo Prefecture and Okayama City in Okayama Prefecture, with planned completion in 2014) is under construction in the western side of the supply area to supply industrial customers.

\* The Group also supplies Nabari City in Mie Prefecture, Toyooka City in Hyogo Prefecture, and Shingu City in Wakayama Prefecture through consolidated subsidiary companies.



# Gas Business

Residential, and Commercial and Industrial Gas Sales

As our core business, the gas business supplies gas to 7.01 million households and delivers comfortable living and business solutions for both residential and commercial and industrial customers.



## Business Characteristics<sup>\*1</sup>

The gas business is the core of the Group and serves gas users in Japan's second-largest urban area, the Kansai region — producing and supplying natural gas, installing house-pipes, and selling gas appliances. The Group has penetrated the wide-ranging market segments of household, commercial, public and medical, and industrial customers to meet their diverse energy needs. The Group is working toward the stable procurement of energy resources<sup>\*2</sup> and ensuring the soundness of its pipeline and gas business infrastructure to deliver gas safely and reliably around the clock.

<sup>\*1</sup>: For an overview of the Group's sales and marketing initiatives, please refer to pages 24 and 25 "Residential Gas Sales," and pages 26 and 27 "Commercial and Industrial Gas Sales."

<sup>\*2</sup>: For information about the procurement of raw materials, please refer to page 32.

## Overview of Gas Sales

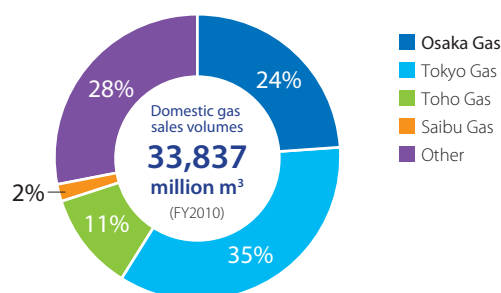
In the fiscal year ended March 31, 2010, gas sales by volume of the Company were approximately 8.1 billion m<sup>3</sup><sup>\*3</sup>, representing about 24% of gas sales nationwide. Likewise, as of March 31, 2010, the number of the Company's customers reached 6.98 million<sup>\*4</sup>, accounting for about 24% of such customers nationwide. Looking at the breakdown of gas use by sales volume, industrial-use sales of approximately 3.8 billion m<sup>3</sup> accounted for about half of the

total, and residential-use sales of approximately 2.2 billion m<sup>3</sup> for about one-quarter of the total. Commercial-use sales accounted for approximately 900 million m<sup>3</sup>, and public and medical-use sales totaled approximately 600 million m<sup>3</sup>. About 400 million m<sup>3</sup> of gas was sold to other gas companies on a wholesale basis.

<sup>\*3</sup>: Gas sales volume at the other four consolidated subsidiary companies totaled approximately 30 million m<sup>3</sup>.

<sup>\*4</sup>: The other four consolidated subsidiary companies served a total of approximately 29,000 household customers.

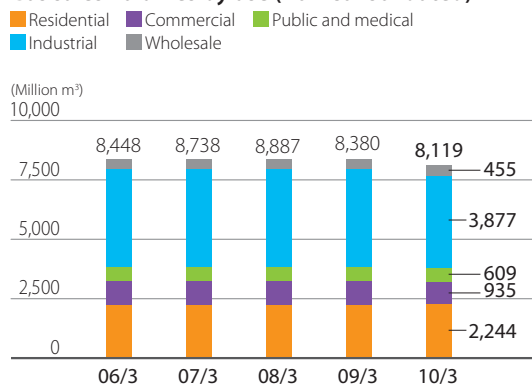
Share of domestic sales



Note: In this graph only, 1m<sup>3</sup> = 41.8605 MJ/m<sup>3</sup>.

Source: Gas Sales Volumes, the Japan Gas Association

Gas sales volumes by use (non-consolidated)



## Characteristics of the Japanese Gas Industry<sup>\*5</sup>

- 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 interlinked nationally.
- The gas business is operated in an integrated manner from import to storage, to production and sales.

<sup>\*5</sup>: Please refer to "The Japanese Gas Business" on pages 40 and 41 for more detailed information.

The Group offers innovative gas appliances and energy systems so customers can enjoy safe and environment-friendly lifestyles in comfort.



## Business Characteristics and Strengths

The Group's residential gas business supplies gas to homes reliably and safely and offers a variety of gas appliances in an effort to expand gas use. We work together with gas appliance manufacturers to develop new appliances that meet customers' needs, and support comfortable lifestyles through gas appliances. We are also committed to swiftly responding to the maintenance and repair needs of our customers. In the Kansai region, though the number of households has increased with the growth in smaller families, the population is declining, and competition is intensifying with all-electric home energy systems. Against this backdrop, we are striving to popularize our residential gas engine cogeneration system "ECOWILL" and residential fuel cell cogeneration system "ENE-FARM" which capitalize on the superior environment-friendliness of natural gas. Through these efficient energy uses, we work to achieve a low-carbon society and to expand gas demand in households.

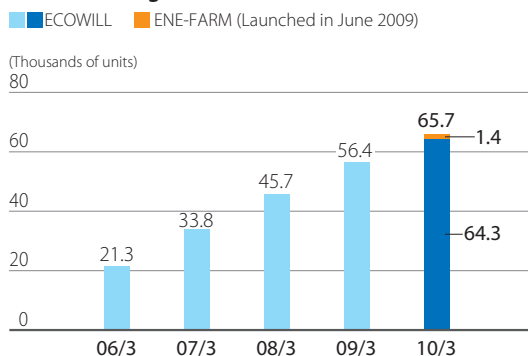
## Fiscal 2010 Overview and Initiatives

Residential gas sales volume increased by 0.2% over the previous year, to 2,244 million m<sup>3</sup> in the fiscal year ended March 31, 2010, as both atmospheric and water temperatures were relatively low throughout the year. The "ENE-FARM" residential fuel cell cogeneration system launched in June 2009 and the residential gas engine cogeneration system "ECOWILL" introduced earlier were marketed as mainstay products in the residential sector. The total number of these units sold for the year was about 9,300.

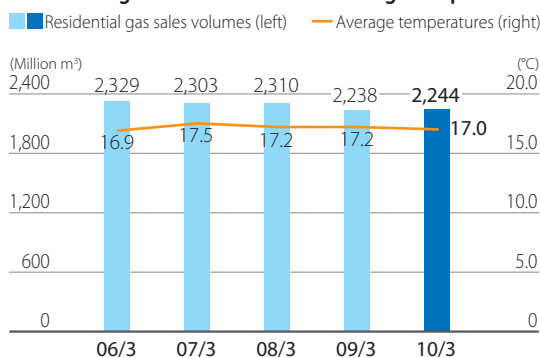
## ◆ Residential Fuel Cell Cogeneration System "ENE-FARM" Introduced

"ENE-FARM" is a home electricity generator that runs on gas. It is an efficient distributed electricity generation system that both supplies electricity and efficiently uses waste heat for hot water supply and space heating. By generating electricity in the home, it is possible to use the waste heat, thereby reducing the volume of primary energy consumed by approximately 27% and the volume of CO<sub>2</sub> emitted by approximately 40% compared with conventional power generation systems. In the fiscal year ended March 31, 2010, 1,386 "ENE-FARM" units were sold, exceeding the initial target by approximately 40%. By combining "ENE-FARM" or "ECOWILL" with photovoltaic electricity generators, we are proposing "hybrid power generation" to achieve even greater CO<sub>2</sub> emission reductions. More than 1,000 households are already using these units.

Residential cogeneration units sold (cumulative total)



Residential gas sales volumes and average temperatures

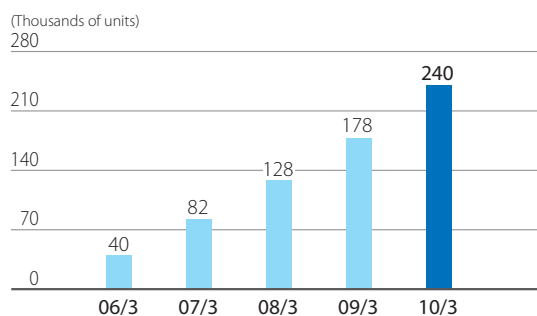


"ENE-FARM" residential fuel cell cogeneration system

## ◆ Developing and Selling Appliances in the Pursuit of Efficiency, Comfort and Convenience

The residential sector develops and sells gas appliances that contribute to conserving energy and reducing CO<sub>2</sub> emissions. Of these, "ECO-JOZU," a high-efficiency gas residential water heater that re-uses combustion gases previously released into the atmosphere to supply hot water, has been highly popular since first introduced. In the fiscal year ended March 31, 2010, 62,000 units were sold, with cumulative total sales reaching 240,000 units. "Mist Sauna" uses the high thermal energy of gas to generate steam and allow users to enjoy saunas in their homes. With the recent growing interest in health and beauty, 32,000 units were sold in the fiscal year ended March 31, 2010, and aggregate sales of "Mist Sauna" have exceeded 237,000 units.

"ECO-JOZU" units sold (cumulative total)



"ECO-JOZU" high-efficiency gas residential water heater

## Future Business Direction

### ◆ Expanded Services Using Existing Customer Networks

The Group seeks the continued support of its customers and plans to focus on developing and marketing new services rooted in the community. We are enhancing safety and security services ranging from gas leak-warning appliances to a comprehensive home security service. We are also taking steps to raise the quality of our customer services by improving call center convenience.

#### Topics

### "Mist Sauna" and its Seven Proven Benefits

In addition to the development of household equipment such as air conditioners, we are improving the "Mist Sauna" function of our bathroom heater and dryer as equipment that meets health and beauty needs. At the same time, we are also conducting research on its effects. Continual use of the "Mist Sauna" developed and supplied by the Company has been shown to warm the body and stimulate perspiration, increase skin moisture levels, as well as to alleviate coldness in the hands and feet, ease nasal congestion and reduce the appearance of wrinkles and conspicuous pores. Additionally, recent research conducted by the Company has proven that continual use of "Mist Sauna" also reduces body weight and abdominal circumference (prevents metabolic syndrome) and improves acclimation to heat (prevents heatstroke).



"Mist Sauna" (wall-hang)

## Activities Aimed at Popularizing High Energy-Saving Gas Appliances

In order to popularize high energy-saving appliances that reduce the amount of CO<sub>2</sub> emissions produced by customers, the Company has established the "GAS Rewards Plan,"\* a special gas rate that is based on the Optional Agreement for Households and has supply conditions that differ from those of the general gas rate.

This is a rate that customers who use eligible equipment such as the residential gas engine cogeneration system "ECOWILL," the residential fuel cell cogeneration system "ENE-FARM" or the high-efficiency gas residential water heater "ECO-JOZU" can apply for, with a gas rate system applicable to each appliance.

On our website, we offer a tool that simulates heating and lighting expenses if one were to use the "GAS Rewards Plan" to anyone considering its adoption.

\* For information about the relevant terms and conditions, eligible appliances and gas pricing list, please refer to the website address on the right. (Japanese only)



Gas charge website address:

<http://home.osakagas.co.jp/price/index.html>

As a multi-energy services provider, the Osaka Gas Group provides energy products and services in a variety of ways to add value to customers' businesses.



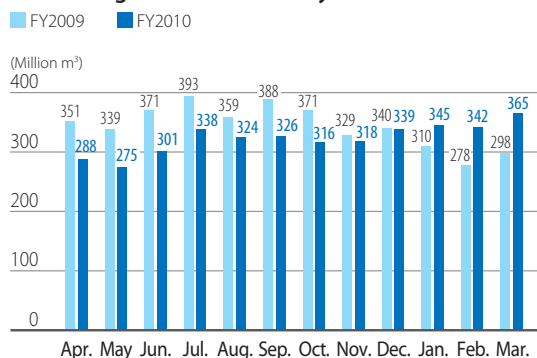
## Business Characteristics and Strengths

The Group's commercial and industrial gas business supplies gas for industrial use, commercial use, and public and medical use by providing appliances and services that meet customer needs. We are also working to attract new customers mainly through fuel conversions by promoting the environment-friendliness of natural gas and energy-efficient engineering. Our cogeneration systems create power using equipment installed at the customer site and even re-use exhaust generated. These systems are highly regarded for their excellent energy-saving and environmental properties and are becoming increasingly popular.

## Fiscal 2010 Overview and Initiatives

Industrial gas sales volume declined by 6.1% over the previous year to 3,877 million m<sup>3</sup> in the fiscal year ended March 31, 2010 due to significantly lower customer usage during the economic downturn. Commercial and public and medical use sales volume decreased by 2.4% over the previous year, to 1,543 million m<sup>3</sup>, as demand for air conditioners fell during the summer months. Though new demand was affected by the economic downturn, fuel conversion to natural gas, which has low environmental impact, is rising steadily because of growing environmental awareness, especially the high expectations it holds for reducing CO<sub>2</sub> emissions.

Industrial gas sales volumes by month



### ◆ Improving Sales and Marketing Capabilities for Small-Scale Thermal Demand

We have proposed energy conservation, primarily through cogeneration systems to meet industrial heat demand such as for industrial furnaces and boilers. We also continued to promote conversion from fuel to natural gas in gas air conditioning, kitchen and hot water appliances for commercial and public and medical use. In the fiscal year ended March 31, 2010, we focused more on customers with relatively small-scale commercial thermal demand for dry cleaners as well as restaurants.

### ◆ In Pursuit of Gas Convenience

The business environment has been changing significantly in recent years, as competition with electric power is intensifying in the commercial-use market, just as it has in the residential market. Under these circumstances, we have promoted greater use of gas through the development and sales of a variety of gas appliances that meet customers' demands for functionality, economic efficiency, and environment-friendliness. One of these is the gas air-conditioning system "High Power EXCEL" (GHP), which uses spare engine capacity to generate electricity during air-conditioner operation, thereby supplying power within the premises and significantly reducing electrical consumption. In the fiscal year ended March 31, 2010, 871 units were sold, an increase in performance. We have further challenged the notion that kitchens running on gas are uncomfortably hot to work in by promoting our "Suzuchu" lineup of commercial kitchen appliances that promise a comfortable kitchen environment while launching an aggressive PR campaign to raise product visibility. We have also started to offer free installation of carbon monoxide detectors and alarms as a safety measure for commercial kitchen gas users. Installation has been completed for 80% of approximately 100,000 such customers.



"High Power EXCEL" gas heat pump air conditioner that can generate electricity



## ◆ Providing High Value-Added Energy Services

Total management energy services for both existing and new customers, including financing and facility installation for customers' energy utilization as well as facility operation and maintenance, will be a main pillar of our business in the commercial and industrial sector in the years to come. Operations grew significantly in the fiscal year ended March 31, 2010, as we focused on adding services and bolstering sales activities. "Eco Wave," one of our core products, is a service whereby customers purchasing new or replacement appliances are, through a financing scheme, charged fees based upon usage without actually owning the equipment as an asset. In the fiscal year ended March 31, 2010, the aggregate number of contracts was 896. Further, with "Eneflex," which promotes energy and cost savings, customers' energy consumption data and other information are posted on the Internet using a remote management system. The aggregate number of installed sites was 805 for the reporting year. In the fiscal year ended March 31, 2010, the Group also commenced services that extend beyond the supply of energy including an electricity-saving consulting service for lighting and a service that proposes work improvements based upon observational research of human behavior. We are expanding our unique services as an energy service provider.

## Future Business Development

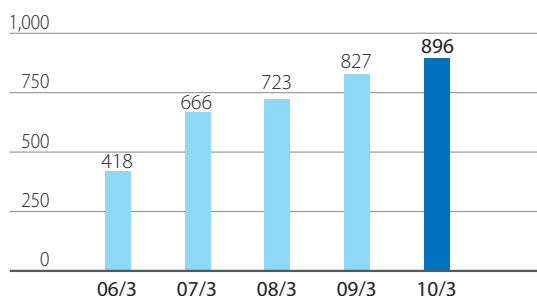
### ◆ More Developed Energy Services

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 work to differentiate ourselves and improve competitiveness by offering higher value-added one-stop service for water treatment and other services. We will continue to collaborate with other gas providers in the region to expand the area for our energy services in order to grow our business.

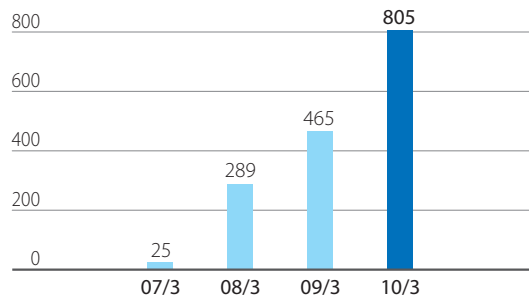
### ◆ Vertical and Horizontal Market Penetration and Expansion

Initiated in the fiscal year ended March 31, 2010, the Group will continue to develop business for commercial customers with small-scale thermal needs. Moving forward, we plan to boost our sales channels by drawing upon our sales network of sales agents and manufacturers to penetrate the market. Further, we are actively boosting demand along the Himeji-Okayama Line, scheduled for completion in 2014, to expand our geographic market reach.

Eco Wave contracts (cumulative total)

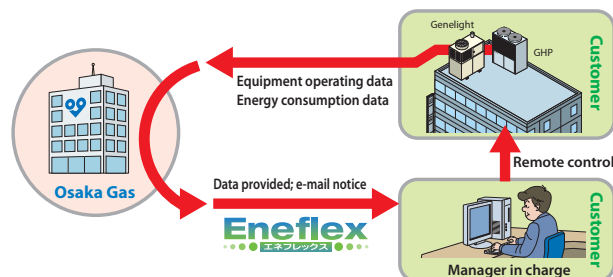


Eneflex service locations (cumulative total)



## "Eneflex" Follow-Up Service

"Eneflex" provides customers with easy-to-understand information about the operational status of their equipment via the Internet. Information is collected through remote management systems such as Sky Remote Service.



## Topics

### Japan's First CO<sub>2</sub> Reduction Fund — Energy Bank

Energy Bank is Japan's first fund established to reduce CO<sub>2</sub>, and is jointly funded by the Development Bank of Japan Inc. and Japan Smart Energy Co., Ltd.\* The fund can be used for energy service projects carried out by the Group, using the loans provided exclusively by the Development Bank of Japan for up to 50% of the project.

\* Investment ratio: Development Bank of Japan Inc.: 50%  
Japan Smart Energy Co., Ltd.: 50%

## Electric Power Business

IPP, Electric Power Generation, Electricity Sales

The Group leverages its strengths in infrastructure and marketing capabilities which have been accumulated through its gas business, and is steadily expanding the scope of its energy services to meet varied customer needs.

### Business Characteristics and Strengths

The electric power business is a part of the multi-energy services the Group strives to offer, and it capitalizes on the Group's strengths, which have been accumulated through its core gas business, in infrastructure, solution-based marketing capabilities, and customer networks, among others. The Group's electricity business is composed of three parts — IPP, electric power generation, and electricity sales. In the power generation business, we are also engaged in wind power generation as part of our contribution to the global environment. In the fiscal year ended March 31, 2010, the Semboku Natural Gas Power Plant commenced operations with a total power output of 1.1GW, boosting the Group's domestic electric capacity to approximately 1.8GW.

### Commencing Operations at the Semboku Natural Gas Power Plant

The Semboku Natural Gas Power Plant, a thermal power plant using environment-friendly natural gas and the state-of-the-art highly efficient gas turbine combined cycle method, became fully operational in November 2009 with all four generation units. All four units of the plant were constructed at Semboku LNG



Semboku Natural Gas Power Plant

Terminals using the same space and infrastructure to capitalize on advantages to improve competitiveness by further tapping the Group's expertise with natural gas. The electric power generated is sold to Group affiliates ENNET Corporation, Japan Electric Power Exchange (JEPX) and others.

### Future Business Development

The electric power business is being developed as a profit-making business second to the gas business, and the Group has taken a long-term perspective in acquiring new electrical sources and seeking M&A and other opportunities in the IPP field. For the foreseeable future we will continue the smooth operation of the Semboku Natural Gas Power Plant, while on the sales side we will build a balanced portfolio and strengthen risk hedging. The Group will promote its new business as an electricity supplier and also expand its role as a multi-energy supplier by offering a "best mix" of gas and electricity.

#### Power sources owned by Osaka Gas Group (as of June 2010)

	Power plant	Capacity
Domestic power source	Torishima Energy Center	150MW
	Nakayama Joint Power Generation	149MW
	Nakayama Nagoya Joint Power Generation	149MW
	Himeji Power Plant	55MW
	Semboku Natural Gas Power Plant	1,109MW
	Hayama Wind Farm	20MW
	Hirogawa Myojinyama Wind Power Plant	16MW
	Other	115MW
Total		1,763MW

In addition to the above, 1.2GW (Group stake) is sourced abroad.  
For further information, please refer to pages 30 and 31.



Hirogawa Myojinyama Wind Power Plant



## LPG and Industrial Gas Businesses

### LPG Sales, Industrial Gas Sales

The Liquid Gas Group companies work together to both deliver LPG to customers throughout Japan and develop various industrial gas businesses using the cryogenic energy of LNG.



## Business Characteristics and Strengths

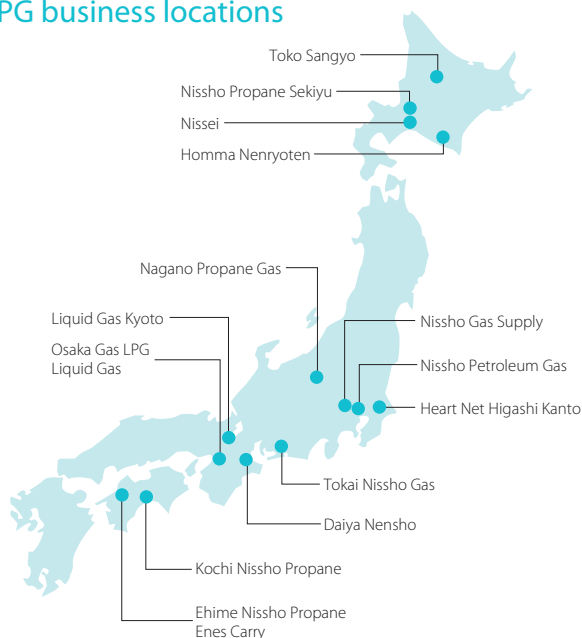
### ◆ LPG Business Takes Advantage of the Group Network

The Group's LPG business serves customers outside the gas supply areas by providing retail and wholesale supplies of Liquid Petroleum Gas (LPG). Though LPG suppliers serve broad market bases, the industry has been changing more rapidly in recent years through mergers and acquisitions and other means as a result of volatility in energy prices. The Osaka Gas Group is capitalizing on its nationwide group network to become more competitive in this business and is working to build multi-energy services combining LPG with our gas and electricity businesses.

### ◆ Industrial Gas Business Efficiently Utilizes Cryogenic Energy of LNG

The industrial gas business is developing a liquefied air separation business based on the efficient utilization of the cryogenic energy of LNG, a low-temperature crushing business using the super-low temperatures of liquefied nitrogen and a high-purity methane business. We also manufacture and sell liquid carbon dioxide and dry ice and supply hydrogen on-site using hydrogen-producing "HYSERVE" units. We are developing low-cost, highly competitive businesses that contribute towards curbing CO<sub>2</sub> emissions through the use of cryogenic energy.

### LPG business locations



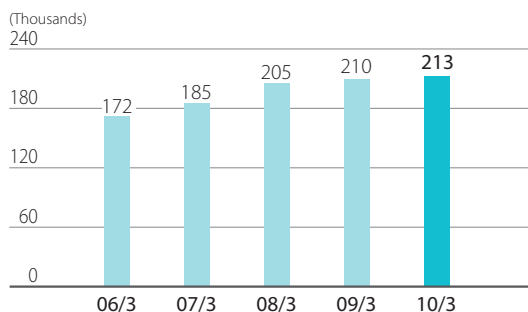
## Fiscal 2010 Overview and Initiatives

The LPG business restructured its group companies in the fiscal year ended March 31, 2010, building a unified structure with greater efficiency and lower costs. In April 2009, Japan Gas Energy Corporation was formed, integrating the primary sales and wholesale functions of the Group subsidiary Nissho Petroleum Gas Corporation, Japan Energy Corporation (current name: JX Nippon Oil & Energy Corporation), and Itochu Enex Co., Ltd. In July 2009, Nissho Petroleum Gas Group was incorporated into the Liquid Gas Group, which manages and operates the wholesale and retail businesses in an integrated manner. The group is also responding to competition with electric power companies by capitalizing on its sales expertise in the gas business and actively promoting gas appliances to household LPG users. As a result, both retail sales volume and number of customers have risen since last year.

## Future Business Development

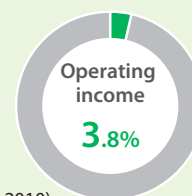
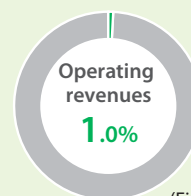
The Group's LPG business will take steps to achieve greater efficiency through restructuring and reinforcing its business capacity. At the same time we will further strengthen marketing capabilities, improve the quality of business, and develop a business that is integrated into the Group. Together with the industrial gas business, the Group will work to enhance its energy services.

LPG customers (total)



# International Energy Businesses along the Energy Value Chain

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



(Fiscal 2010)

## Business Overview

The international energy businesses along the energy value chain start with the procurement of a steady supply of natural gas in the Group's gas business. In the energy market, where conditions fluctuate wildly, Group businesses conduct ongoing projects aimed at securing a smooth and stable supply of the highly-competitive LNG. The Group has also taken advantage of the know-how and networks it has cultivated in this area and is seeking to build a natural gas value chain that extends from upstream to mid- and down-stream businesses.

In addition to energetically pushing ahead with upstream areas such as resource development, this business also promotes mid- and down-stream business areas such as LNG terminal, pipeline, gas distribution and IPP projects. In the future, we plan to leverage our LNG terminals and LNG carriers to develop a global business with a view toward entering the trading business.

## Upstream Business

The resource development business has contributed to increased revenue and has also functioned as a natural hedge against fluctuating crude oil prices and foreign exchange rates. In September 2009, the Group concluded an LNG procurement contract with the Australian Gorgon Project and acquired 1.25% equity in a gas field. In this project, we have the right to acquire LNG (which we are free to sell) in proportion to our investment ratio. We expect this investment will contribute to building substantial revenues in the future through the trading business, which will leverage our LNG carriers and terminals. In the Sunrise Project, another initiative that the Company has committed to with an equity interest, the development concept of a floating LNG (FLNG) project has been decided. Our participation in this initiative will make us the first Japanese company to join an FLNG project. Activities aimed at obtaining equity in high-quality upstream businesses are ongoing.

## 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: 85 million boe\* (crude, etc.)

\* boe = Barrels of Oil Equivalent



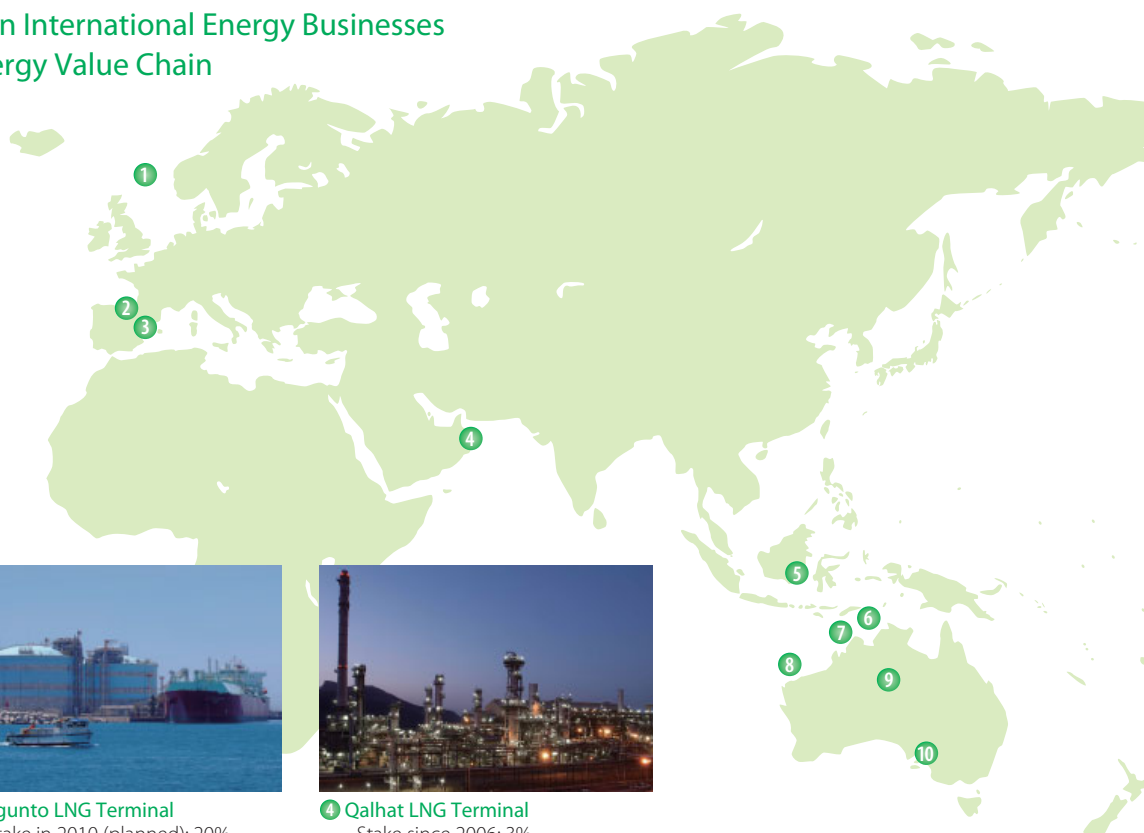
- ② Amorebieta IPP
- Stake since 2005: 50%
  - Power generation capacity: 370MW (Group stake)



- ③ Sagunto LNG Terminal
- Stake in 2010 (planned): 20%
  - Vaporization capacity: 6.4 million tons/year



- ④ Qalhat LNG Terminal
- Stake since 2006: 3%
  - Liquefaction capacity: 3.3 million tons/year



## Mid- and Down-Stream Businesses

In these business segments, the Group intends to expand the know-how developed in its domestic business into foreign countries and secure stable revenues by developing mid- and down-stream businesses including LNG terminals, pipelines and IPP projects.

### ◆ LNG Terminal Projects in USA and Spain

In our LNG terminal business, the Group invested in the Freeport LNG terminal in the United States in February 2008. In 2010, we decided to invest in the Sagunto LNG terminal in Spain. In the LNG terminal business, Group policy is to acquire equity in LNG terminals that are located near LNG consumption areas of overseas industrialized nations. Our goal is to develop a trading business that will function in tandem with our upstream business.

### ◆ Pipeline and Wind Farm Projects in Australia

Apart from LNG terminal businesses, we are also operating several projects in Australia. In December 2008, we invested in Energy Infrastructure Investments Pty. Ltd., a wholly-owned subsidiary of APA Group, a major Australian energy company. In addition to participating in the planning of pipeline and other projects, October 2009 saw Osaka Gas form a consortium with APA Group and Marubeni Corporation to participate in the planning of the "Hallett 4" wind farm project.

By expanding its energy business in Australia, the Group intends to establish a base for its overseas mid- and down-stream businesses.

### ◆ IPP Projects in USA and Spain

In addition to these projects, the Group owns interests in various IPP projects; eight IPP projects in the USA through the acquisition of equity in an IPP holding company as well as investments in two IPPs, one in Texas, USA, and the other in Spain.

In the future, we will continue to seek out business opportunities, focusing on industrialized countries where the country risk is low.



#### 10 Hallett 4 Wind Farm Project

- Stake since 2009: 39.9%
- Power generation capacity: 52MW (Group stake)
- (Start of operation scheduled for June 2011)



#### 7 Crux Condensate Field

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



#### 11 Freeport LNG Terminal

- Stake since 2008: 10%
- Vaporization capacity: 13 million tons/year

Photo provided by: Freeport LNG Development LP.



#### 8 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)



#### 12 Tenaska Gateway IPP

- Stake since 2004: 40%
- Power generation capacity: 330MW (Group stake)



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

- Stake since 1990
- 4.375% stake in mining concession



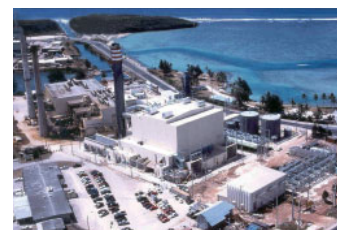
#### 6 Sunrise Gas Field

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



#### 9 EIL

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



#### 13 IPPs in USA (including Guam)

- Stake since 2005
- 8 IPP projects
- Power generation capacity: 450MW (Group stake)



## Procurement of Energy Resources

### ◆ Conclusion of New Procurement Contracts

At the present time, the LNG used by the Company is comprised entirely of procurements from abroad. With the expansion of global energy demand driven by emerging nations, and the changes in energy market conditions accompanying economic fluctuations, it is a key management issue for the Group to ensure a long-term stable supply of LNG.

In the fiscal year ended March 31, 2010, we concluded long-term contracts with the Australian Gorgon Project and the Papua New Guinean PNG Project for a total of approximately 2,875 thousand tons/year of LNG. Furthermore, in July 2010, we concluded a long-term contract with Shell Eastern Trading Pte. Ltd. for up to almost 800 thousand tons/year. These account for a significant percentage of the Company's gross LNG demand. In our LNG procurement policy, we are focused primarily on long-term contracts, but they are combined with mid- and short-term arrangements to improve supply flexibility to meet changing demand. In the fiscal year ended March 31, 2010, the Group procured 6.75 million tons of LNG, most of which was secured through long-term contracts with six countries (Brunei, Indonesia, Australia, Malaysia, Qatar, and Oman).

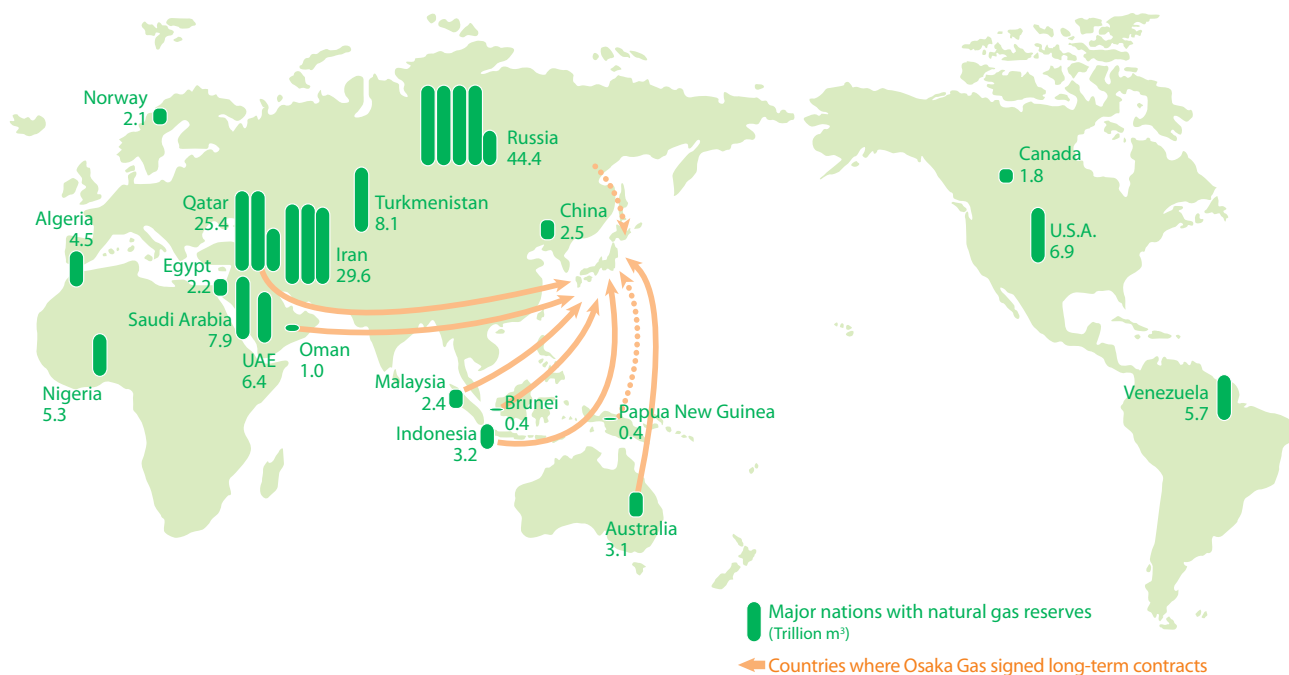
### ◆ LNG Transportation

The Company has interests in six LNG vessels. By transporting LNG using these vessels, we are able to reduce transportation costs and expand our businesses by transporting third parties' LNG and sales of LNG to other companies. Therefore, we intend to increase our future transportation capacity.

### ◆ Expanding Sales of LNG

The Company's gas sales are not limited to its supply area of the Kansai region. We also sell LNG wholesale to other energy providers using large tankers. In addition to Nippon Gas Co., Ltd., to whom we already supply LNG, we concluded new MOUs for the supply of LNG to the Okinawa Electric Power Company, Inc. and Shizuoka Gas Co., Ltd. in 2010. We will continue to increase our competitive edge in the procurement of LNG by capturing the majority of demand.

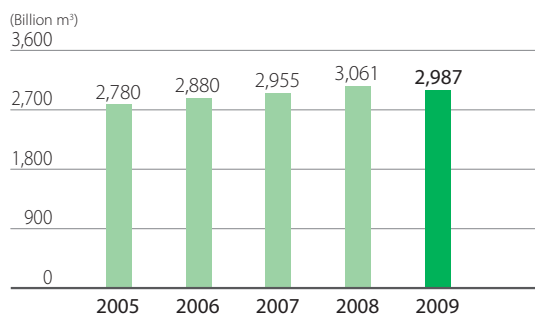
## Major Nations with Natural Gas Reserves and Suppliers to Osaka Gas



Source: BP Statistical Review of World Energy 2010

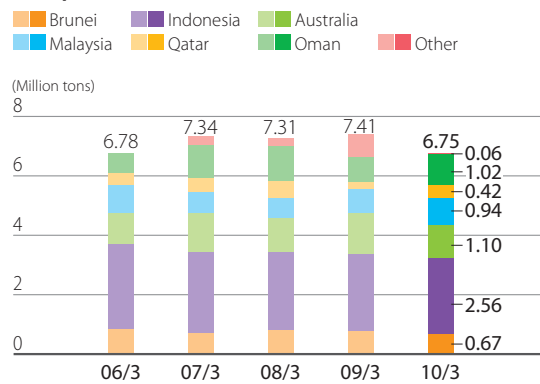


### Global natural gas production



Source: BP Statistical Review of World Energy 2010

### LNG purchase volumes



### LNG Vessels Utilized by Osaka Gas



LNG Flora



LNG Vesta



LNG Jamal



LNG DREAM



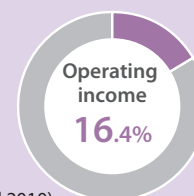
LNG BARKA



LNG JUPITER

# Environment and Non-Energy Businesses

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



(Fiscal 2010)

## Real Estate Business (Urbanex Group)

### Business Characteristics and Strengths

In addition to the development and leasing business of commercial office building and housing, the company also operates a condominium sales business. Through the operation of these businesses, the real estate business optimizes usage of the Group's real estate holdings and acquires new, superior assets. Furthermore, it efficiently manages and maintains commercial facilities such as office buildings and works to increase the value of customer holdings by proposing energy-saving and CO<sub>2</sub>-reducing solutions.

### Overview of Fiscal 2010 and Future Initiatives

In the leasing business, 14 new residential assets became fully operational, which made a significant contribution to sales growth. The condominium sales business was substantially depressed by the economic downturn, particularly in the first half of the year. In the second half, however, the company saw signs of a recovery, including favorable sales. In the future, it will expand sales by continuing to invest in high-quality assets in both its condominium sales and leasing businesses. Furthermore, in addition to developing homes that highlight the superiority of gas energy with a full array of advanced gas amenities such as "Mist Sauna," gas stoves



Urbanex Kobe Mizuki-Dori

with glass-tops, and floor heating, it will further strengthen ties with the energy business of the Group in its quest to be one of the Kansai region's top real estate groups.

## Information Technology Business (OGIS-RI Group)

### Business Characteristics and Strengths

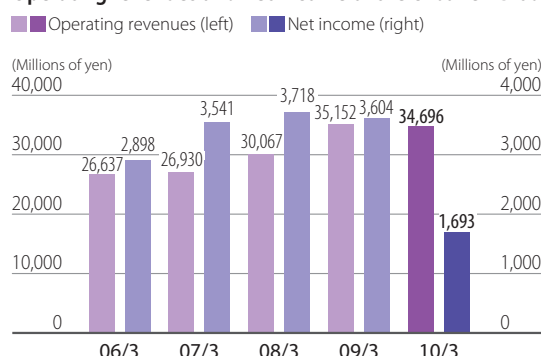
Information technology business operations started as a business that mainly developed systems for the gas businesses of Osaka Gas. This sector offers a wide range of services to customers in the manufacturing, finance and distribution fields including design, consulting, development operation and maintenance of IT systems. It also has some of the most advanced technology in Japan related to Model Base Development using the effective Unified Modeling Language (UML) to develop efficient systems.

### Overview of Fiscal 2010 and Future Initiatives

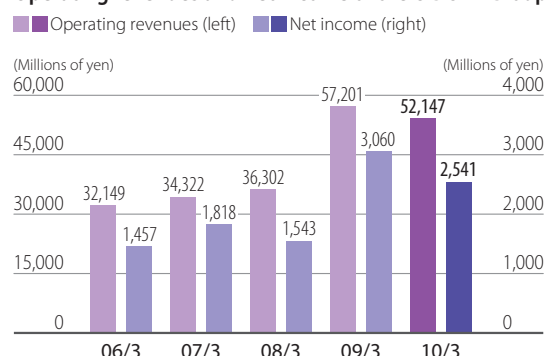
In the fiscal year ended March 31, 2010, revenues declined due to companies' efforts to curb capital spending, but our solution menu grew. One such solution is Cloud Integration — developed in response to the recent growth in cloud computing — which integrates network systems with customer systems. Other services include "virtual hosting" and the business support service "Business Guru Map," which is linked to Google Maps®\*. These are solution services that minimize initial outlays. The group plans to continue developing services that meet customer needs and grow its business as a total solutions provider.

\*Google Maps® is a registered trademark of Google Inc.

#### Operating revenues and net income of the Urbanex Group



#### Operating revenues and net income of the OGIS-RI Group





## Advanced Materials Business (Osaka Gas Chemicals Group)

### Business Characteristics and Strengths

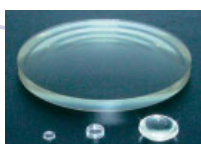
In the advanced materials business, the group draws on its accumulated carbon-related technology at Osaka Gas to develop a variety of businesses. In the fine materials field, the group manufactures and sells fluorine derivatives with excellent optical properties and outstanding heat resistance used as coating materials for LCD films, and camera optical lens resin materials for cell-phones and digital cameras. The group boasts a significant share of the global market. In the carbon materials field, the group manufactures and sells carbon fiber for use in molded insulation for photovoltaic cell production kilns and activated carbon fiber for water purifier cartridges and air purifying filters. It also manufactures and sells activated charcoal for a wide variety of applications and preservatives such as wood protective paints which are powerful brands.

### Overview of Fiscal 2010 and Future Initiatives

In the fiscal year ended March 31, 2010, the fine materials field performed solidly amid the economic downturn, with earnings largely in line with those of the previous year. Going forward, the group will continue to focus on maintaining its existing market share, expanding applications and launching new products in the growing fine materials market. In its carbon materials business, it will increase sales of molded heat insulation materials for photovoltaic cell production kilns. It also plans to promote growth by developing negative electrode materials for lithium-ion rechargeable batteries, which are expected to grow substantially, and marketing state-of-the-art chemical materials leveraging its technical know-how as well as environment-friendly materials.



Fluorene derivatives, high-performance materials



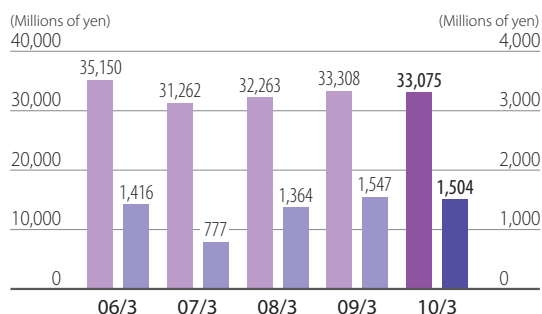
Lenses for high-resolution cell-phone cameras



Films for liquid crystal displays

#### Operating revenues and net income of the Osaka Gas Chemicals Group

■ Operating revenues (left) ■ Net income (right)



## Service-Related Businesses

### Business Characteristics and Strengths

The Group is involved in a wide array of business fields, including sports facilities management through its operation of the COSPA fitness centers, leasing including cars, facilities management, temporary staffing, wedding services, and a for-profit retirement home. These businesses help raise the brand value of the Group and contribute to efficient Group operations.

### Overview of Fiscal 2010 and Future Initiatives

In the fiscal year ended March 31, 2010, the fitness industry suffered from weak consumption, but the wedding service business remained firm by adeptly meeting customer needs. The Group will continue to closely watch growth in each business, and develop businesses that hedge the risks of the gas industry.

#### Main businesses and major operating companies

##### • Operation of sports facilities

OG sports Co., Ltd.

##### • Leasing

Osaka Gas Autoservice Co., Ltd.

OGIC Co., Ltd.

##### • Regional information business

L-NET Co., Ltd.

##### • Facilities management and temporary staffing

Osaka Gas Business Create Co., Ltd.

##### • For-profit retirement home business

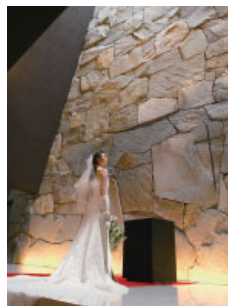
Active Life Inc.

##### • Wedding service business

Planetnetwork Co., Ltd.



COSPA fitness center



"Mia Via" wedding facility