

FY2010.3 Business Plan of the Osaka Gas Group

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Osaka Gas Co., Ltd.

1. Tasks to be addressed in FY 2010.3

The Osaka Gas Group will wrestle with the following tasks in order to make steady progress toward its long-term vision and medium-term business plan, “Field of Dreams 2020.”

- Seeking new business opportunities and expanding the domestic energy businesses (Strengthening marketing activities, enhancing stable supply and safety standards)
- Development of the power businesses (Commencing operation of the Semboku Natural Gas Power Plant)
- Promotion of the international energy businesses
- Expansion and cultivation of environment and non-energy businesses

Although management envisages the business environment to become very difficult in fiscal year 2010.3 due to the global economic recession, the Osaka Gas Group will strive to expand its business fields and establish a solid business structure through continuous efforts to achieve its business plan so that the Group can steadily move toward realization of its long-term vision.

2. Financial forecast

In fiscal year 2010.3, the Osaka Gas Group expects revenues of ¥1,091.5 billion, operating income of ¥82.0 billion, ordinary income of ¥72.0 billion, and net income of ¥43.0 billion on a consolidated basis.

	Consolidated			Non-consolidated		
	FY 2010.3 Plan (¥100 million)	Change (%)	FY 2009.3 Forecasted (¥100 million)	FY 2010.3 Plan (¥100 million)	Change (%)	FY 2009.3 Forecasted (¥100 million)
Revenues	10,915	-18.2	13,350	8,220	-16.5	9,850
Operating Profit	820	+57.7	520	540	+100.0	270
Ordinary Profit	720	+39.8	515	550	+103.7	270
Net Income	430	+53.6	280	350	+105.9	170
SVA	85	—	—	70	—	—

ROE	6.9%	—	—	7.0%	—	—
ROA	2.9%	—	—	3.0%	—	—

Percent change from FY 2009.3 forecasted (announced January 30, 2009)

* Assumptions for FY 2010.3 plan: Crude oil price (All Japan CIF price): US\$55/bbl,
Exchange rate: ¥95/US\$

[Assumptions for FY 2009.3 forecasted: Crude oil price (All Japan CIF price): US\$93,
Exchange rate: ¥101/US\$]

3. Gas Sales Plan

In fiscal year 2010.3, the Osaka Gas Group expects gas sales volume of 7,987 million m³ on a non-consolidated basis (6% decrease from the FY 2009.3 forecasted).

[Non-consolidated]		1 m ³ = 45 MJ
Residential	million m ³	2,324 (+2.3%)
Commercial, Public, Medical	million m ³	1,539 (-2.4%)
Industrial	million m ³	3,696 (-12.2%)
Wholesale	million m ³	427 (-3.5%)
Total gas sales volume	million m ³	7,987 (-6.0%)
Number of customers (end of the year)	thousand	6,999 (+0.8%)
(Consolidated) Gas sales volume	million m ³	8,020 (-6.1%)

Figures in parentheses are percent changes from FY 2009.3 forecasted (announced January 30, 2009).

4. Investment Plan

In fiscal year 2010.3, the Osaka Gas Group plans investments of ¥173.0 billion including capital investments of ¥103.0 billion on a consolidated basis. In the meantime, it plans capital investments of ¥62.5 billion on a non-consolidated basis.

(Unit: ¥100 million)

	Investments	
		Portion as capital investments
Domestic energy businesses	525	525
Environment and non-energy businesses	45	45
Upgrading existing businesses	570	570
Domestic energy businesses	190	160
International energy businesses	670	100
Environment and non-energy businesses	300	200
New investments	1,160	460
Total investments	1,730 (+57.3%)	1,030 (-0.1%)
(Reference: Among the above figures) Capital investments on a non-consolidated basis		625 (+1.3%)

Figures in parentheses are percent changes from FY 2009.3 forecasted.

* Please refer to the attached documents for details of FY2010.3 Business Plan of the Osaka Gas Group.

5. Supply plan for FY 2010.3 to FY 2014.3

(1) Outlook for gas demand

In fiscal year 2010.3 and subsequent years, the Osaka Gas Group envisages that the demand for gas from existing customers will decrease for a while, but the Group forecasts that total demand will amount to 8,924 million m³ in fiscal year 2014.3 thanks to efforts to cultivate demand mainly in industrial customers. The average annual growth rate will be 1.0% for the five-year period.

(Units: Million m³, m³ per month, %)

	FY 2009.3 (forecasted)	FY 2010.3	FY 2011.3	FY 2012.3	FY 2013.3	FY 2014.3	Average annual growth FY 2009.3 to FY 2014.3
Residential	-1.7 2,272	2.3 2,324	0.4 2,335	0.3 2,343	0.2 2,348	0.1 2,351	0.7
Commercial / Industrial	-5.4 5,785	-9.5 5,235	2.1 5,345	6.2 5,675	4.3 5,920	2.7 6,082	1.0
Commercial	-4.9 972	-2.4 948	-1.0 939	-0.5 935	-0.3 932	-0.2 930	-0.9
Industrial	-5.6 4,208	-12.2 3,696	3.3 3,819	8.1 4,129	5.9 4,374	3.8 4,538	1.5
Public, Medical	-4.8 605	-2.4 591	-0.6 587	4.1 611	0.4 614	-0.1 614	0.3
Subtotal	-4.4 8,057	-6.2 7,560	1.6 7,680	4.4 8,018	3.1 8,268	2.0 8,433	0.9
Wholesale	-4.1 443	-3.5 427	7.3 458	3.3 474	2.8 487	0.9 491	2.1
Total	-4.4 8,500	-6.0 7,987	1.9 8,138	4.3 8,491	3.1 8,755	1.9 8,924	1.0
Gas sales per household	-2.1 32.7	1.8 33.3	-0.0 33.3	-0.0 33.3	-0.0 33.3	-0.0 33.3	0.4

Note: Each upper-left figure represents growth (%) from the previous fiscal year. Sales volume assumes 45 MJ/m³, which differs from the filed figure of 46 MJ/m³. Fractions are rounded off in each category.

The Osaka Gas Group expects that the number of newly built houses in its service area will remain around 100,000 units as shown below.

The Group forecasts that the number of customers (number of gas meters installed) will amount to around 7.18 million by the end of fiscal year 2014.3.

(Unit: thousand households)

	FY 2009.3 (forecasted)	FY 2010.3	FY 2011.3	FY 2012.3	FY 2013.3	FY 2014.3
Newly built houses	112	97	101	110	110	108
Number of customers (FY end)	0.9 6,944	0.8 6,999	0.8 7,053	0.7 7,101	0.6 7,141	0.5 7,176

Note: Each upper-left figure represents growth (%) from the previous fiscal year.

(2) Raw material procurement plan

The Osaka Gas Group will strive to ensure stable procurement of LNG and LPG to maintain adequate supply in accordance with growing demand. The Group forecasts that the purchase volume of LNG and LPG will amount to 7,494,000 tons and 110,000 tons, respectively, in FY 2014.3.

(Unit: thousand tons)

	FY 2009.3 (forecasted)	FY 2010.3	FY 2011.3	FY 2012.3	FY 2013.3	FY 2014.3
LNG purchase	7,406	6,512	6,819	7,126	7,363	7,494
LPG purchase	60	44	47	71	72	110

(3) Capital investment plan

The Osaka Gas Group forecasts that the accumulated capital investment amount will reach ¥289.6 billion from fiscal year 2010.3 to fiscal year 2014.3. The Group will mainly invest in both distribution facilities, such as construction of the Mie-Shiga and Himeji-Okayama pipelines, and replacement and repair of aged gas pipes, as well as facilities for incidental businesses such as construction of power plant at the Semboku Terminal.

*Fractions are disregarded in each category. (Unit: ¥100 million)

	FY 2009.3 (forecasted)	FY 2010.3	FY 2011.3	FY 2012.3	FY 2013.3	FY 2014.3	Total FY 2010.3 to 2014.3
Production facilities	30	32	32	41	81	113	301
Distribution facilities	397	441	506	470	455	456	2,331
Operation facilities	36	43	30	24	24	27	149
Incidental business facilities	153	108	1	1	1	1	115
Total	617	625	570	538	562	598	2,896

[Major pipeline projects]

Line name	Total distance	Section	Completion (expected)
Sakai West Line	approx. 1 km	Chikko-Yawata-machi, Sakai City	FY 2010.3
Amagasaki Line	approx. 7 km	Konohana-ku, Osaka City to Amagasaki City	FY 2011.3
Mie-Shiga Line	approx. 60 km*	Taga-cho, Shiga Prefecture to Yokkaichi City, Mie Prefecture	FY 2011.3
Himeji-Okayama Line	approx. 85 km	Himeji City, Hyogo Prefecture to Okayama City, Okayama Prefecture	FY 2015.3

* Osaka Gas is in charge of construction of an approx. 20 km section between Taga-cho, Shiga Prefecture and Inabe City, Mie Prefecture.

[Capital investment plan for incidental business]

Facility name	Location	Operation	Power output
Semboku Natural Gas Power Plant	Semboku Terminal	FY 2010.3 (expected)	1,109MW

* Semboku Natural Gas Power Plant has been sold to Semboku Natural Gas Generation Co., Ltd., which will possess and operate the facility.