

FY2011.3 Business Plan of the Osaka Gas Group

March 12, 2010
Osaka Gas Co., Ltd.

1. Priority tasks for FY2011.3

In fiscal year 2011.3 the Osaka Gas Group will focus on the following tasks, designating fiscal year 2011.3 as the “Year of Action” in which it will vigorously implement measures designed to ensure that its long term vision and medium-term business plan, “Field of Dreams 2020,” is realized

1. Improvement in service levels, and realization of low-carbon society
2. Expansion of business field
3. Fulfillment of social responsibility (stable supply, safety, and CSR)

While the external business environment is expected to be difficult in fiscal year 2011.3 amid the prolonged economic slump, the Osaka Gas Group will strive to make steady progress toward the realization of “Field of Dreams 2020” by expanding its business field and establishing a firm business structure through its endeavors to achieve the goals of the business plan.

2. Financial forecast

In fiscal year 2011.3 the Osaka Gas Group is planning to generate revenues of ¥1,175 billion, operating income of ¥72.5 billion, ordinary income of ¥65.5 billion, and net income of ¥37.0 billion on a consolidated basis.

	Consolidated			Non-consolidated		
	FY 2011.3 Plan (¥ billion)	Change (%)	FY 2010.3 Forecasted (¥ billion)	FY 2011.3 Plan (¥ billion)	Change (%)	FY 2010.3 Forecasted (¥ billion)
Revenues	1,175	+7.7	1,090.5	907	+8.4	836.5
Operating Profit	72.5	-14.2	84.5	42	-25.7	56.5
Ordinary Profit	65.5	-13.8	76	42	-28.8	59
Net Income	37	-18.7	45.5	26.5	-29.3	37.5
SVA	4	—	—	0	—	—
ROE	2.5%	—	—	2.3%	—	—
ROA	5.5%	—	—	4.9%	—	—

Percent change from FY 2010.3 forecasted (announced October 28, 2009)

* Assumptions for FY 2011.3 plan: Crude oil price (All Japan CIF price): US\$80/bbl,
Exchange rate: ¥95/US\$

[Assumptions for FY 2010.3 forecasted: Crude oil price (All Japan CIF price): US\$68/bbl,
Exchange rate: ¥95/US\$]

3. Gas/Electric Power Sales Plan

In fiscal year 2011.3, Osaka Gas Co., Ltd. is planning to sell 8,170 million m³ of gas (up 1.0% from FY2010.3 forecast), and 6,767 million kWh of electricity (up 25.4% from FY2010.3 forecast) on a non-consolidated basis.

Gas Sales Volume

[Non-consolidated]

1 m³ = 45 MJ

Residential	million m ³	2,282 (+0.2%)
Commercial, Public, Medical	million m ³	1,517 (-1.3%)
Industrial	million m ³	3,931 (+2.6%)
Wholesale	million m ³	440 (-1.6%)
Total gas sales volume	million m ³	8,170 (+1.0%)
Number of customers (end of the year)	thousand	7,010 (+0.5%)

(Consolidated) Gas sales volume	million m ³	8,202 (+1.0%)
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Electricity Sales Volume

Total Electricity sales volume	million kWh	6,767 (+25.4%)
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Figures in parentheses are percent changes from FY 2010.3 forecasted (announced October 28, 2009).

4. Investment Plan

In fiscal year 2011.3, the Osaka Gas Group is planning to invest ¥135.0 billion on a consolidated basis, of which ¥54.3 billion represents capital investments by Osaka Gas Co., Ltd.

(Unit: ¥ billion)

		Investments
Upgrading existing businesses		50
	Domestic energy businesses	15
	International energy businesses	45
	Environment and non-energy businesses	25
New investments		85
Total investments		135

(Reference: Among the above figures) Capital investments on a non-consolidated basis	54.3
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5. Supply plan for FY 2011.3 to FY 2015.3

(1) Outlook for gas demand

Regarding the outlook for demand from fiscal year 2011.3 onwards, the demand for gas is projected to reach 8,992 million m³ in fiscal year 2015.3 due to increased demand mainly in industrial fields where a fuel shift to natural gas, a low-carbon energy source, is expected to lead to demand increase, and a gradual economic recovery is expected to help increase capacity utilization of our customers' existing facilities. The average annual growth rate over the 5-year period is estimated to be 2.1%.

(Units: Million m³, m³ per month, %)

	FY 2010.3 (forecasted)	FY 2011.3	FY 2012.3	FY 2013.3	FY 2014.3	FY 2015.3	Average annual growth FY 2010.3 to FY 2015.3
Residential	1.7 2,277	0.2 2,282	0.6 2,296	0.4 2,305	0.5 2,316	0.6 2,329	0.5
Commercial / Industrial	-6.0 5,367	1.5 5,448	2.6 5,592	4.3 5,833	4.0 6,067	2.2 6,201	2.9
Commercial	-2.1 951	-1.2 939	-0.7 932	-0.7 925	-0.6 920	-0.6 914	-0.8
Industrial	-7.2 3,830	2.6 3,931	3.3 4,062	6.0 4,308	5.6 4,548	3.1 4,689	4.1
Public, Medical	-3.9 585	-1.3 578	3.4 597	0.4 600	-0.1 599	-0.3 597	0.4
Subtotal	-3.8 7,643	1.1 7,730	2.0 7,888	3.2 8,138	3.0 8,383	1.8 8,530	2.2
Wholesale	3.2 448	-1.6 440	1.6 448	1.0 452	1.2 457	1.1 463	0.7
Total	-3.5 8,091	1.0 8,170	2.0 8,335	3.1 8,590	2.9 8,841	1.7 8,992	2.1
Gas sales per household	1.6 32.8	0.2 32.8	0.3 32.9	0.1 33.0	0.1 33.0	0.1 33.0	0.2

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 new houses built in its service area by the end of fiscal year 2011.3 will fall to 67,000 but will increase to 89,000 units from fiscal year 2013.3 onwards.

The number of customers (number of gas meters installed) is expected to exceed 7 million by the end of fiscal year 2011.3 and reach about 7.19 million at the end of fiscal year 2015.3.

(Unit: thousand households)

	FY 2010.3 (forecasted)	FY 2011.3	FY 2012.3	FY 2013.3	FY 2014.3	FY 2015.3	Average annual growth FY 2010.3 to FY 2015.3
Newly built houses	-31.3 77	-13.8 67	32.8 88	0.2 89	0.0 89	0.0 89	2.8
Number of customers (FY end)	0.5 6,976	0.5 7,010	0.6 7,054	0.6 7,098	0.6 7,143	0.6 7,187	0.6

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 response to growing demand. In fiscal year 2015.3, planned purchase volumes of LNG and LPG are expected to reach 7,561,000 tons and 110,000 tons, respectively.

(Unit: thousand tons)

	FY 2010.3 (forecasted)	FY 2011.3	FY 2012.3	FY 2013.3	FY 2014.3	FY 2015.3
LNG purchase	6,350	6,875	6,943	7,220	7,375	7,561
LPG purchase	94	138	68	77	98	110

(3) Capital investment plan

Planned capital investments from fiscal year 2011.3 through fiscal year 2015.3 are mainly for the construction of distribution facilities. These include the Mie-Shiga pipeline to ensure a more stable supply system that can respond to future demand growth, and the Himeji-Okayama gas pipeline designed to handle the industrial demands outside the existing service area. In total, these capital investments amount to ¥289.8 billion.

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

	FY 2010.3 (forecasted)	FY 2011.3	FY 2012.3	FY 2013.3	FY 2014.3	FY 2015.3	Total FY 2011.3 to 2015.3
Production facilities	2.5	3.1	3.7	9.9	10.2	7.4	34.5
Distribution facilities	39.5	46.5	54.9	51.7	45.8	39	238.2
Operation facilities	10.3	4.3	3	3.3	3	2.4	16.1
Incidental business facilities	6.5	0.3	0.1	0.1	0.1	0.1	0.9
Total	59	54.3	61.9	65.2	59.2	49	289.8

[Major pipeline projects]

Line name	Total distance	Section	Completion (expected)
Amagasaki Line	approx. 7 km	Konohana-ku, Osaka City to Amagasaki City	FY 2011.3
Mie-Shiga Line	approx. 61 km*	Taga-cho, Shiga Prefecture to Yokkaichi City, Mie Prefecture	FY 2015.3
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. 23 km section between Taga-cho, Shiga Prefecture and Inabe City, Mie Prefecture.