

Management Plan for FY 2008 ending March, 2008

March 30, 2007
Osaka Gas Co., Ltd.

Osaka Gas Co., Ltd. (represented by Hirofumi Shibano, President) has formulated its management plan for FY 2008 and a gas distribution plan for the next five years (FY2008 to FY2012) .

1. Basic Policy for FY2008 Management Plan

Fiscal 2008 is the second year of the Company's medium term business plan "Design 2008". In this strategically important year, the Company will solidify the foundation for its future growth, and take a secure step forward to attain the final goals of Design 2008. The following priority initiatives will be taken:

(1) Building up the city gas business into a foundation for continuing growth

In the city gas business, the Company will strive for further expansion of natural gas use, which will eventually result in enhanced customer life, industrial development, and environmental preservation, while securing the safety of customers.

Safety is essential to promote the use of gas. Accordingly, measures to ensure and strengthen the safety of city gas will be actively taken to deepen customers' confidence in gas safety. In the area of gas equipment, to prevent carbon monoxide poisoning and other accidents caused by gas equipment, the Company will reinforce inspection of customers' gas facilities and communication regarding safe use of gas equipment to consumers, promote replacement with safe equipment, and promote development of safety technologies and other measures to improve the safety of gas equipment. The Company will also work on safety of its gas production and distribution facilities. Replacement and other preventive measures will be taken for old gas pipelines. The Company's safety system will also be reinforced through training of its personnel and collaboration with its business partners.

In the residential market, "my-home power generation" with "ECOWILL", a residential gas engine cogeneration system, "my-home ESTHE", a home skin care system using a bathroom mist sauna, "my-home cooking" activities that promote the merits of cooking with gas energy, and many other gas-related proposals that benefit consumers will be promoted. Emphasis will be placed on "With Gas Life", providing economy, comfort, convenience and safety to customers through further promotion and diffusion of gas products.

In the commercial market, "High Power Excel", a gas engine-based heat pump air-conditioning system that is equipped with an electricity-generating function, "Suzu-chu," a gas kitchen system that

achieves a cool commercial kitchen, and many other strategic systems will be promoted. In the industrial market, the Company will deliver the best energy solutions that fit the needs of individual customers including energy-saving, by proposing optimal natural gas technologies for actual use situations at customers' sites.

(2) Establishing a foundation for growth as a multi-energy provider

In the electricity business, the construction of the Semboku Natural Gas Power Plant started last year will be continued, focusing on safe and steady construction processes. At the same time, preparations for establishing its operation and maintenance systems will be started.

In the area of growth investment, the Company will make sound investments in activities that contribute to the growth of its energy business in Japan. Moreover, the Company will continue its exploration for focused investment in appropriate projects that would contribute quickly to consolidated profit, including investment in upstream interest and overseas IPP businesses.

(3) Enhancing the Group's collective strength to achieve powerful results

The Company will work on maximizing the synergy brought by its core gas business to the LPG business, real estate business and other energy-related businesses of its group companies.

For the non-energy business of group companies, optimization of the Group's business portfolio will be pursued by investing aggressively in business areas in which the Osaka Gas Group has competitive advantages and which have promising markets (concentration), while shifting the Group's businesses to more efficient businesses (selection). Specifically, focus will be placed on accelerated growth of the information, advanced materials, fitness club and security services businesses.

(4) Building strong business structure and brand power

In order to build a strong business structure, the Company will strengthen its product development and other engineering abilities that can contribute to environmental preservation, energy saving, and customers' convenience.

Moreover, aiming at maintaining the fairness and transparency of its business activities, the Company developed mechanisms and systems for group-wide CSR management in and before the last year. In fiscal 2008, the Company will start their operation and monitoring.

For continuing growth of its business under severe competitive circumstances, services and products of the Osaka Gas Group should be powerful and attractive so that customers continue to choose them from among competitors. The Osaka Gas Group's brand slogan, "Design Your Energy - for tomorrow's dreams", is a message to its customers that it will create new values demanded by customers today, assisting customers in realizing comfortable lifestyles and developing their businesses. Following this principle, the Company will continue its efforts to enhance the efficiency and quality of all its employees so that the corporate value for shareholders will be maximized.

2. FY 2008 Management Plan

(1) Profit Plan

Based on the gas sales plan in the table below, and business plans provided by consolidated subsidiaries and other data, the Company projects operating results for FY 2008 as follows: sales of 1,190.5 billion yen (consolidated) and 872 billion yen (non-consolidated); ordinary profit of 83 billion yen (consolidated) and 60.5 billion yen (non-consolidated); net income of 49 billion yen (consolidated) and 39 billion yen (non-consolidated).

(In billions of yen, except EPS and percentage data)

	Consolidated	Non-consolidated
Sales	1,190.5	872.0
Operating profit	84.5	57.0
Ordinary profit	83.0	60.5
Net income	49.0	39.0
Shareholders' value added (SVA)	21.0	16.5
Earnings per share (EPS)	22.0 yen	17.5 yen
Return on equity (ROE)	7.2 %	7.0 %
Return on assets (ROA)	3.4 %	3.5 %
Free cash flow	55.1	52.6

(Note) This profit plan has reflected the revised depreciation system.

(2) Gas sales plan

In FY 2008, the Company projects to sell 9,086 million m³ of gas (a 3.3% increase from the previous year). In the residential market, sales volume per household of 34.1 m³ per month is projected. Combined with the expected growth in the number of customers, annual sales volume of 2,359 million m³ is projected. In the industrial/commercial market, sales volume of 6,276 million m³ is projected, considering the development of new demands and expected increases in the operating ratio of existing customers' facilities.

* Sales volumes are based on 45MJ/m³, and decimal fractions are rounded off to the nearest whole number in each category.

	FY2008 Projection
Sales per household	34.1 m ³ /month
New installations	128,000
Customers (as of year-end)	6,871,000
Residential	2,359 million m ³
Commercial/industrial total	6,276 million m ³
Commercial	1,069 million m ³
Industrial	4,602 million m ³
Public and medical institutions	605 million m ³
Total	8,635 million m ³
Wholesale	451 million m ³
Total	9,086 million m ³

(3) Capital expenditure plan

In FY2008, capital expenditures of 101.8 billion yen (consolidated) and 60.9 billion yen (non-consolidated) are planned.

No major investments in new production facilities are planned. Mainly investments will be made in equipment replacements. In distribution facilities, investments totaling 35.9 billion yen are planned mainly in expansion and improvement of pipeline networks. Major investments include construction of main and branch lines and distribution pipes to distribute gas to new customers, replacement and repair of old gas pipelines, and construction of transportation trunks such as Mie/Shiga Line. In the area of administrative facilities, the Company plans to spend 5.6 billion yen in R&D facilities, administrative systems and similar facilities. In the area of ancillary businesses, 16.3 billion yen will be invested, mainly in the construction of the Semboku Natural Gas Power Plant. In consolidated subsidiaries, major investments include construction of LNG tankers, acquisition of sites for new fitness clubs and leased assets.

In implementing these capital expenditures, the Company will review the construction periods and specifications and pursue further cost reduction via technical development and competitive purchases to control the cost of facility constructions.

[Major Facility Investments in FY2008 Plan]

* Figures less than 100 million yen are rounded off in each category.

	Investment	Remarks
Production facilities	3.0 billion yen	
Distribution facilities	35.9 billion yen	Main and branch lines to consumers: 555km, replacement: 231km, etc.
Administrative facilities	5.6 billion yen	R&D facilities, administrative systems, etc.
Ancillary business facilities	16.3 billion yen	Semboku Natural Gas Power Plant, etc.
Non-consolidated	60.9 billion yen	
Consolidated	101.8 billion yen	Construction of LNG tankers, acquisition of sites for fitness clubs and leased assets, etc.

3. Distribution Plan for FY2008 to FY2012

(1) Gas demand forecast

Demands in and after FY2008 are expected to grow mainly in the industrial/commercial market where creation of new demand and improvement in the operating ratio of customers' sites are expected. The Company expects that gas demand will increase to 9,399 million m³ in FY 2012. The annual average growth rate is expected to be 1.3% over the five years to FY2012.

(Unit: million m³, %)

	FY 2007 (Estimated)	FY 2008	FY2009	FY2010	FY2011	FY2012	FY2007 to FY2012 Annual average growth rate
Residential	0.3 2,335	1.0 2,359	0.6 2,373	0.6 2,387	0.6 2,400	0.5 2,412	0.7
Commercial/ industrial total	4.9 6,045	3.8 6,276	1.1 6,342	1.0 6,408	1.0 6,474	1.0 6,540	1.6
Commercial	-0.6 1,065	0.4 1,069	1.3 1,083	1.3 1,097	1.3 1,111	1.3 1,125	1.1
Industrial	7.8 4,363	5.5 4,602	0.7 4,633	0.7 4,664	0.7 4,696	0.7 4,729	1.6
Public and medical	-3.7 617	-2.0 605	3.5 626	3.4 647	3.1 667	3.1 687	2.2
Total	3.6 8,380	3.0 8,635	0.9 8,715	0.9 8,795	0.9 8,874	0.9 8,952	1.3
Wholesale	16.3 417	8.2 451	-1.9 443	0.2 444	0.3 445	0.3 447	1.4
Total	4.1 8,797	3.3 9,086	0.8 9,158	0.9 9,239	0.9 9,319	0.9 9,399	1.3
Sales per household	-0.5 34.0	0.4 34.1	0.1 34.2	0.1 34.2	0.1 34.2	0.1 34.3	0.2

(Note) The figure in the upper left of each box is a growth rate from previous year. Sales volumes are presented based on 45MJ/m³, differing from the reported value (46MJ/m³). Decimal fractions are rounded off to the nearest whole number in each category.

The forecast for the number of new installations within the region served by the Company is based on the forecast for housing starts throughout Japan and in the Kinki Region, and is expected to move as shown in the table below.

The number of customers at each year-end (the number of installed meters) will increase to about 7,060,000 at the end of FY2012.

(Unit: thousand customers <meters>)

	FY 2007 (Estimated)	FY 2008	FY2009	FY2010	FY2011	FY2012
New installations	127	128	129	128	127	127
Customers (as of year-end)	0.9 6,816	0.8 6,871	0.7 6,923	0.7 6,970	0.6 7,015	0.6 7,057

(Note) The figure at the upper left in each box is the growth rate from the previous year.

(2) Materials purchase plan

To respond to the increase in gas demand and to secure stable gas supply, the Company will strive to secure stable procurement of LNG and LPG. In FY2011, the LNG purchase will reach to 7,889,000 tons and the LPG purchase will reach 109,000 tons.

(Unit: thousand tons)

	FY 2007 (Estimated)	FY 2008	FY2009	FY2010	FY2011	FY2012
LNG purchase	7,244	7,474	7,658	7,728	7,857	7,889
LPG purchase	40	73	96	97	55	109

(3) Capital expenditure plan

The total capital expenditures during FY2008 to FY2012 are expected to be 235.8 billion yen. Major investments include construction of the Mie/Shiga Line and the Amagasaki Line, replacement and repair of old gas pipelines and investment in other distribution facilities and investment in ancillary business facilities such as construction of electric power plants within the Semboku Gas Plant.

*(Unit: 100 million yen, figures less than 100 million yen are rounded off in each category.)

	FY 2007 (Estimated)	FY 2008	FY2009	FY2010	FY2011	FY2012	FY2007 to FY2012 total
Production facilities	30	30	17	37	44	49	179
Distribution facilities	401	359	342	322	333	280	1,638
Administrative facilities	65	56	24	20	21	16	139
Ancillary business facilities	131	163	152	84	0	0	400
Total	628	609	537	465	399	347	2,358

[Main Pipeline Plan]

Route	Total length	Span	Work Period	Purpose
Mie/Shiga Line	About 60km*	Tagacho, Shiga to Yokkaichi City, Mie	Commenced construction in FY2006. To be completed in FY2011.	Improve the network security of the Company's pipelines
Amagasaki Line	About 7km	Konohana-ku, Osaka to Amagasaki City	Commenced construction in FY2008. To be completed in FY2011.	Improve the distribution capacity in the Hanshin area

* The Company undertakes the installation between Tagacho, Shiga to Inabe City, Mie (about 20km).

[Ancillary Business Facility Plan]

Facility	Location	Work Period	Power Capacity
Semboku Natural Gas Power Plant.	Within the Semboku Plant	Commenced construction in FY2007. Operation to be commenced in FY2010.	1,109,000 kW