An Interview with the President

What were the performance highlights of the fiscal year ended March 31, 2013?

In the fiscal year ended March 31, 2013, we finished on a strong note with year-on-year growth in both sales and profits.

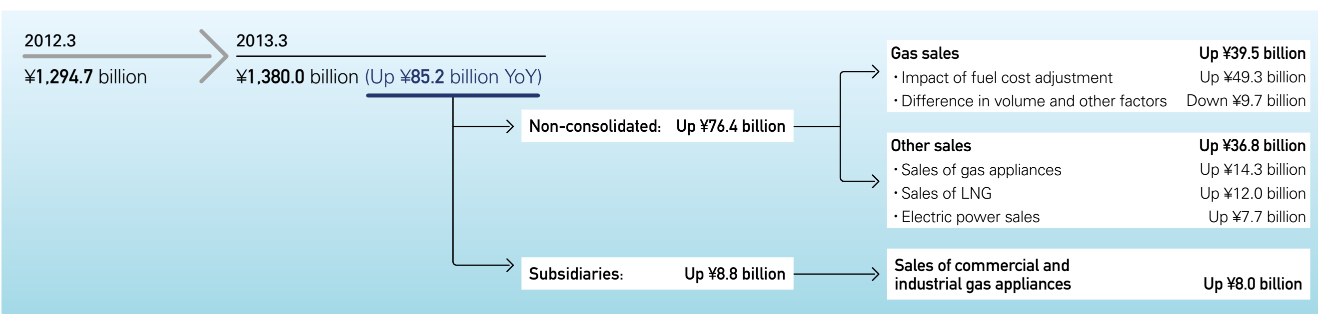
In the fiscal year ended March 31, 2013, consolidated net sales increased by 6.6% year on year, to ¥1,380.0 billion, mainly on account of higher gas sales prices due to a rise in the cost of LNG. Other factors behind the increase included higher sales of commercial and industrial cogeneration systems and the residential fuel cell "ENE-FARM" on stronger customer needs for distributed power generation systems. Meanwhile, gas sales volume has continued to decline on a monthly year-to-year basis since August 2012, particularly in the industrial sector, as a result of the economic downturn.

Consolidated ordinary income climbed 19.1% to ¥90.1 billion, reflecting growth in income for the electric power business and profits at consolidated subsidiaries. The Fuel Cost Adjustment System causes a time lag before changes in LNG prices are reflected in gas unit prices, which results in subsequent time lag-related gains or losses. In the fiscal year under review we recorded time lag-related losses totaling ¥20.7 billion, ¥9.9 billion lower than in the previous fiscal year. However, if the impacts of the time lag-related losses and other factors that cause short-term fluctuations in income are excluded, ordinary income would have been well over ¥100 billion in the fiscal year ended March 31, 2013. From this standpoint, I think we ended the year on a very strong note.

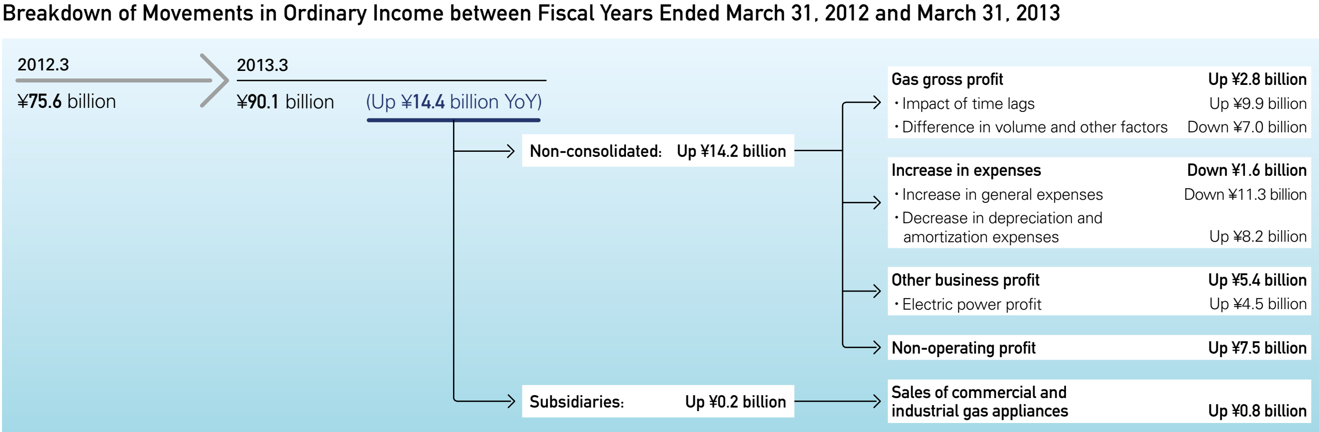
Performance in Fiscal Year Ended March 31, 2013 (Consolidated)

	2012.3	2013.3
Net sales (billions of yen)	1,294.7	**1,380.0**
Operating income (billions of yen)	77.2	**84.7**
Ordinary income (billions of yen)	75.6	**90.1**
Net income (billions of yen)	45.2	**52.4**
Profit / loss on Fuel Cost Adjustment System (billions of yen)	(30.7)	**(20.7)**
Exchange rate (yen/$)	79.1	**83.1**
Crude oil price ($/bbl)	114.2	**113.9**

Breakdown of Movements in Net Sales between Fiscal Years Ended March 31, 2012 and March 31, 2013



Breakdown of Movements in Ordinary Income between Fiscal Years Ended March 31, 2012 and March 31, 2013



What is your view on gas industry reforms?

I believe it is natural for the regulatory system governing public utilities to evolve in response to changes around the world.

Progress has been made on the debate about electricity industry reforms, and I think it would be beneficial if reforms were made to the public utility industry to reflect changes around the world.

The gas business faces tough competition from electricity, LPG, petroleum and other types of energy. Moreover, the gas business is unique in that heightened competition resulting from deregulation has already had a measurable impact, and that service networks are segregated into regional units. Going forward, in view of these unique characteristics of the gas business, we think the debate on reforms should center on giving customers more options by allowing new companies to enter the market, and on how customers will benefit from heightened competition, such as by having new services to choose from.

In preparing for these reforms, the Osaka Gas Group must position itself to take advantage of these changes as business opportunities, by reducing costs further and expanding its services to more closely match customer needs.

What impact will potential growth in unconventional natural gas supplies have on the operations of the Osaka Gas Group?

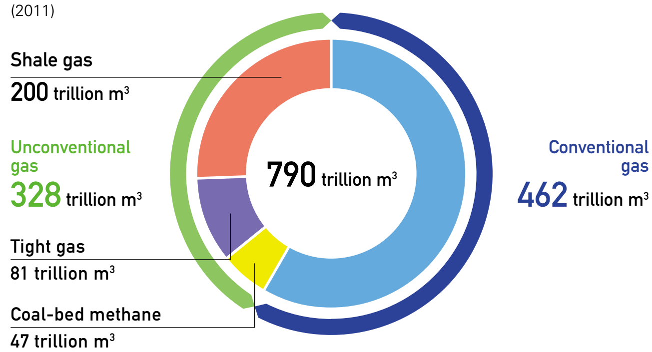
We look toward shale gas as a promising source for natural gas procurement.

Interest in shale gas has risen considerably as technological advancement has enabled the extraction of natural gas contained within shale formations in North America. The Osaka Gas Group is also very interested in shale gas as a promising resource, and has acquired interests in upstream projects in Canada and the United States.

We also regard shale gas as a promising resource from the perspective of diversifying supplies and gas pricing.

In the fiscal year ended March 31, 2013, we concluded a gas liquefaction tolling agreement with a subsidiary of Freeport LNG Expansion, L.P. for the Freeport LNG Project. In May 2013, the U.S. Department of Energy authorized the export of LNG to non-FTA countries. Plans call for the construction of liquefaction facilities with the aim of commencing operations in 2017. The price of LNG currently procured by the Osaka Gas Group fluctuates in conjunction with the price of crude oil. However, if we are able to import LNG from shale gas into Japan at prices linked to a different formula, there are expectations that this could change LNG pricing mechanisms in the market.

Estimated Reserves of Conventional and Unconventional Gas
(2011)



Source: International Energy Agency (IEA), "World Energy Outlook 2012"
* Data on pages 8 and 25 do not synchronize due to the inclusion of unconfirmed gas reserves.

What are the strengths of the electric power business, and what is the outlook?

At the moment, including the Senboku Natural Gas Power Plant, we have in our power portfolio a total generation capacity of approximately 1.8 GW in Japan.
Going forward, we will expand our power generation capacity through such means as the installation of power-export type cogeneration systems.

The Osaka Gas Group currently possesses a domestic generation capacity of approximately 1.8 GW, which includes such energy resources as the Senboku Natural Gas Power Plant, IPPs, wind power plants and solar power installations.

The Senboku Natural Gas Power Plant started operations in 2009 and features the latest in gas turbine combined-cycle facilities for highly efficient power generation. It is a competitive power station, having been built within the premises of an LNG terminal, allowing it to share infrastructure and operations personnel with the gas business. On the operational side, we are able to flexibly change conditions, such as power generation patterns, in tandem with the market environment.

Osaka Gas will encourage the spread of distributed power sources by installing gas cogeneration systems and other medium-scale power generation facilities on the premises of its customers. At the same time, the Company will also promote the cogeneration-based power export business* whereby it buys any surplus electricity generated by these facilities and resells it on a retail basis. These activities help ease the balance of supply and demand for electricity.

In addition, we will work to appropriately expand the renewable energy business, including solar and wind power generation.

When commercial viability presents itself, we will expand power generation capacity and even consider the feasibility of constructing large-scale generation facilities. Taking into account the direction of discussions regarding government energy policy, we will carefully evaluate the lead times regarding construction and business risks of potential projects.

* Please refer to page 31 of this report for details on the cogeneration-based power export business.

What opportunities and risks do you see in overseas business development?

We intend to seize opportunities overseas by leveraging our sound financial foundation and synergies with our domestic energy business, as well as with our strengths in technologies for the advanced utilization of natural gas.

Osaka Gas develops operations overseas focusing on the natural gas value chain. In upstream businesses, we are acquiring and developing upstream interests in countries and regions such as Australia, the North Sea, and North America. In procurement activities, we think it is meaningful to have a firm grasp of gas production costs and structures in addition to earning a stable return. Becoming a producer ourselves leads to a stronger negotiating position on procurement and adds flexibility to our response to changes in demand.

In mid- and downstream businesses, to accompany its IPP* operations, Osaka Gas has launched gas distribution operations using its know-how in the gas business in Japan. In March 2013, Osaka Gas established a joint venture with City Gas Pte. Ltd. of Singapore to sell natural gas to industrial customers.

In overseas development, our strengths are our sound financial foundation compared with rivals around the world, potential synergies with our domestic energy business, and technologies for value-added use of natural gas.

We think risks in overseas development include changes to laws and regulations (taxation for example) and government policies on the environment and energy, as well as a deterioration in the capital procurement environment owing to disarray in international financial markets. When deciding on an investment project, we make a concerted effort to minimize risk through the use of project financing if an investment decision is made, while taking into full consideration regional and local politics and systems where the investment project is located and undertaking a thoroughgoing analysis and assessment in each case both in Japan and overseas.

* Independent Power Producer

Can you discuss your long-term management vision and medium-term business plan as well as the direction of the next medium-term business plan?

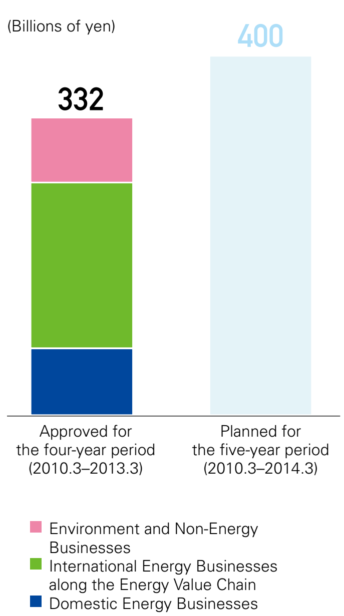
Investments for expansion, greenfield projects, and M&A activities are proceeding smoothly.
In the fiscal year ending March 31, 2014, we expect to achieve the ROA and ROE targets set out in the medium-term business plan.

Our investments in future growth have also been proceeding according to plan. Osaka Gas plans to aggressively invest a total of ¥1.5 trillion over the 12-year period from the fiscal year ended March 31, 2010 to the fiscal year ending March 31, 2021. Of this amount, Osaka Gas plans to invest ¥800 billion in investments for expansion, greenfield projects, and M&A activities in Japan and abroad (of this, ¥400 billion by the fiscal year ending March 31, 2014). In the four years to the fiscal year ended March 31, 2013, a cumulative total of ¥332 billion in spending has been approved, an amount equivalent to 83% of our five-year plan.

After undertaking these investments, we are confident in our ability to achieve an ROA of 3.5% and ROE of 8.0% in the fiscal year ending March 31, 2014, the final-year targets of the current medium-term business plan.

Investments for expansion, greenfield projects, and M&A activities

(Billions of yen)



Management is currently putting the final touches on its next medium-term business plan that begins in the fiscal year ending March 31, 2015, and plans to unveil it during the fiscal year ending March 31, 2014. Although the new plan does not represent a major change in direction, we wish to formulate a new plan that reflects new realities that were unanticipated back in 2009, namely the Great East Japan Earthquake and subsequent events surrounding the energy market in Japan.

	2014.3 (Planned) (Medium-Term Business Plan)	2014.3 (Planned) (Announced in March 2013)
ROA	Approx. 3.5%	4.1%
ROE	Approx. 8.0%	8.6%

What are your capital and shareholder returns policies for the future?

We aim for a consolidated payout ratio of 30% or higher while proactively investing in growth.

Osaka Gas' basic shareholder returns policy is to issue returns in the form of dividend payments, and we will continue to pay stable dividends while targeting a consolidated payout ratio of at least 30%, after eliminating the effects of external factors that cause profits to fluctuate in the short term. In addition, we acquire treasury stock on a flexible basis when there is leeway in our financial position and cash flow after investing for future growth.

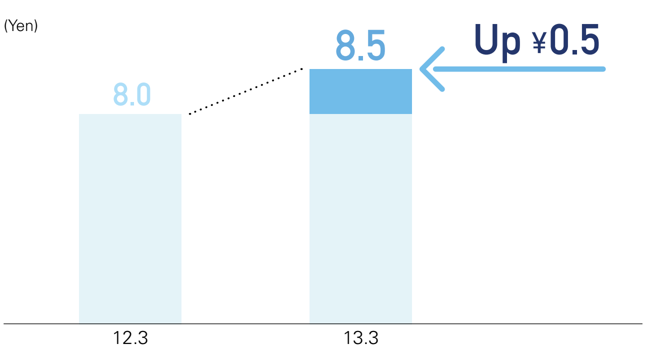
The electric power business has generated steady profits, even with one-time factors arising from the suspension of nuclear power generation. Business profits at affiliates have also expanded steadily. In light of these conditions, Osaka Gas has decided to distribute an annual dividend of ¥8.5 per share for the fiscal year ended March 31, 2013, which is ¥0.5 per share higher than the previous fiscal year. For the fiscal year ending March 31, 2014, we aim to pay an annual dividend of ¥9.0 per share.

As we advance into the future, prioritizing investments in growth, we will continue to pursue higher profits in the three business areas described in "Field of Dreams 2020," our long-term management vision, in hopes of living up to the high expectations of our shareholders.

We also aim to maintain a shareholders' equity ratio of at least 40% and a debt equity ratio of approximately one in accordance with our goal of keeping a sound financial position.

As of March 31, 2013, the shareholders' equity ratio was 47.7% and the debt equity ratio was 0.72. Since we have sufficient capital to maintain a sound financial position, we plan to leverage up for aggressive investments in the fiscal year ending March 31, 2014.

Annual Dividends per Share



Can you describe the corporate culture and what is expected of employees?

Osaka Gas aims for growth, bringing all of its employees together as one to take on new challenges.

We believe the willingness to move forward and take on new challenges without fear of failure is essential to the growth of a corporation. We want our employees to positively engage in business activities while they are assessed not only by the results but also the processes of their work with full respect for spirit of challenge. We think this will invigorate the entire organization.

The Osaka Gas Group has instilled a corporate culture of taking on challenges without shying away from new activities. This corporate culture is one that says you grow a little every time you fall down and get back up again, instead of trying to make the most of a bad situation after you take a fall. We firmly believe that this sort of character is at the foundation of our business activities, whether it be overseas expansion or technological development.

In order to realize our long-term management vision and medium-term business plan "Field of Dreams 2020," we must tear down the walls we build in our minds between domestic and overseas, as well as the gas business and non-gas businesses. I hope our employees find the strength to take on new challenges around world, forge across boundaries and successfully expand businesses in growth markets.