Business Plan for FY 2016.3
of Osaka Gas Group

March 11, 2015

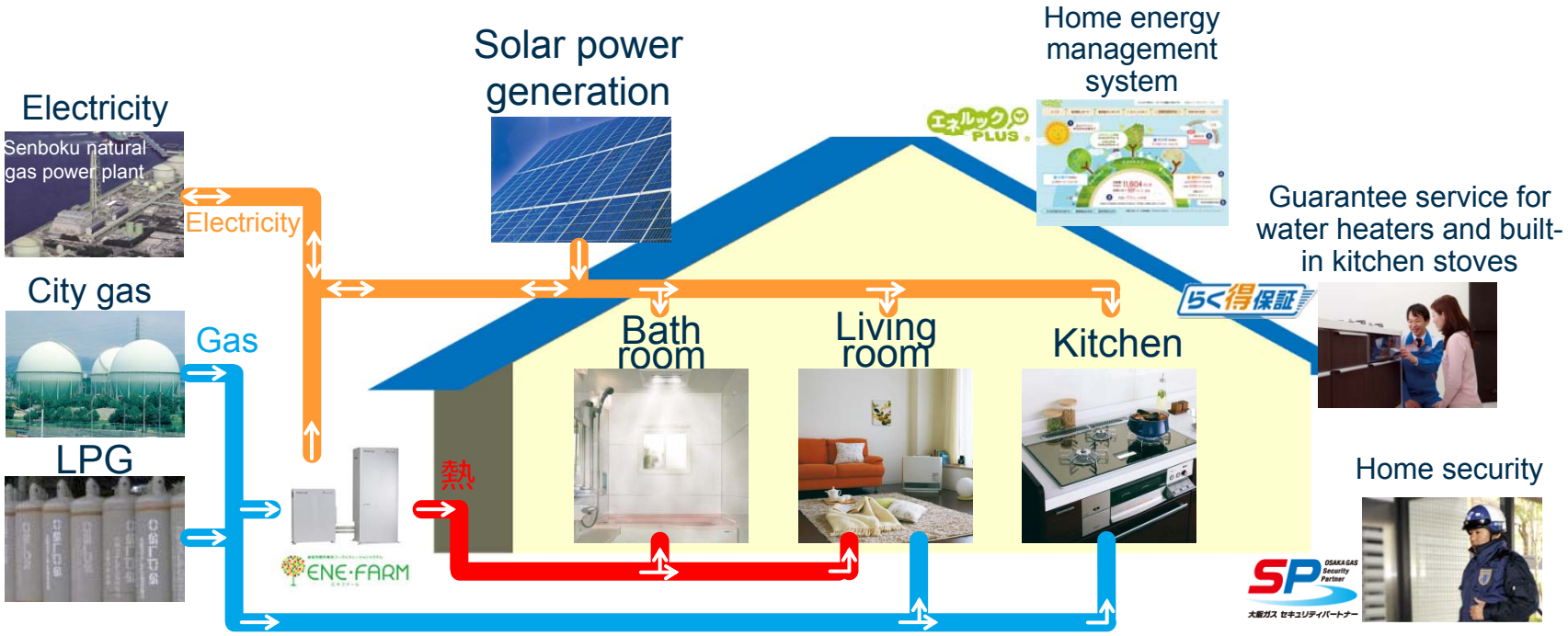
Osaka Gas Co., Ltd.

Addressing the Electricity and Gas Industry Reform

- Targeting the full liberalization of the electricity and gas markets as a growth opportunity, we will aggressively expand our energy businesses, while augmenting our business flows, IT systems and organizational structure.
- Based on discussions of the gas industry reform, we will enhance the neutrality of our Pipeline Business.
  - In order to integrate separate desks for internal and external inquiry concerning gas transportation service and related information disclosure, we will establish Gas Transportation Service Reception Center and Gas Transportation Service Information Center. (April 1, 2015)
  - For the purpose of continuous and comprehensive enhancement of the gas transportation service system, we will establish Gas Transportation Service System Study Panel that reviews the system operation and studies the balancing system while communicating with gas transportation service clients. (During April 2015)
    *Participation of the administration to be considered as needed
  - For the higher transparency of gas transportation service tariffs, we will increase the amount of published information regarding gas transportation service business results. (From the FY2016.3 balance)
  - With the aim of reducing third party access tariffs, we will request the government to provide a simple scheme that allows early deduction of vaporization costs currently incorporated in third party access costs, while reviewing the cost structure, etc., to prepare for such a scheme.

Energy (Gas/Electricity) Sales Business

- As the scope of deregulation extends to the retail market, we will expand our electricity retail business from FY2017.3.
- By combining energy products (gas, LPG, electricity) with gas appliances and various services, we will address diversifying customers' needs while evolving into a more comprehensive energy business.



Decentralized Energy System

- For realization of “3E+S*,” a set of important concepts in energy business, we will promote the installation of decentralized energy systems (ENE-FARM, cogeneration) and gas heating and cooling systems.

  *Stable supply, Economic efficiency improvement, Environmental adaptation, Energy security

- We will promote technological development to achieve higher efficiency, downsizing and lower prices of devices and equipment as well as to expand their usage.

- Through the development of hydrogen generators and the installation/operation of hydrogen stations, we will support the establishment of the hydrogen society with our contribution in technology and infrastructure.

- ENE-FARM

  FY2016.3 sale plan
  12,000 units



- Cogeneration system

  FY2016.3 development plan
  45,000kW



- Gas heating/cooling system

  FY2016.3 development plan
  600,000kW



- Hydrogen station

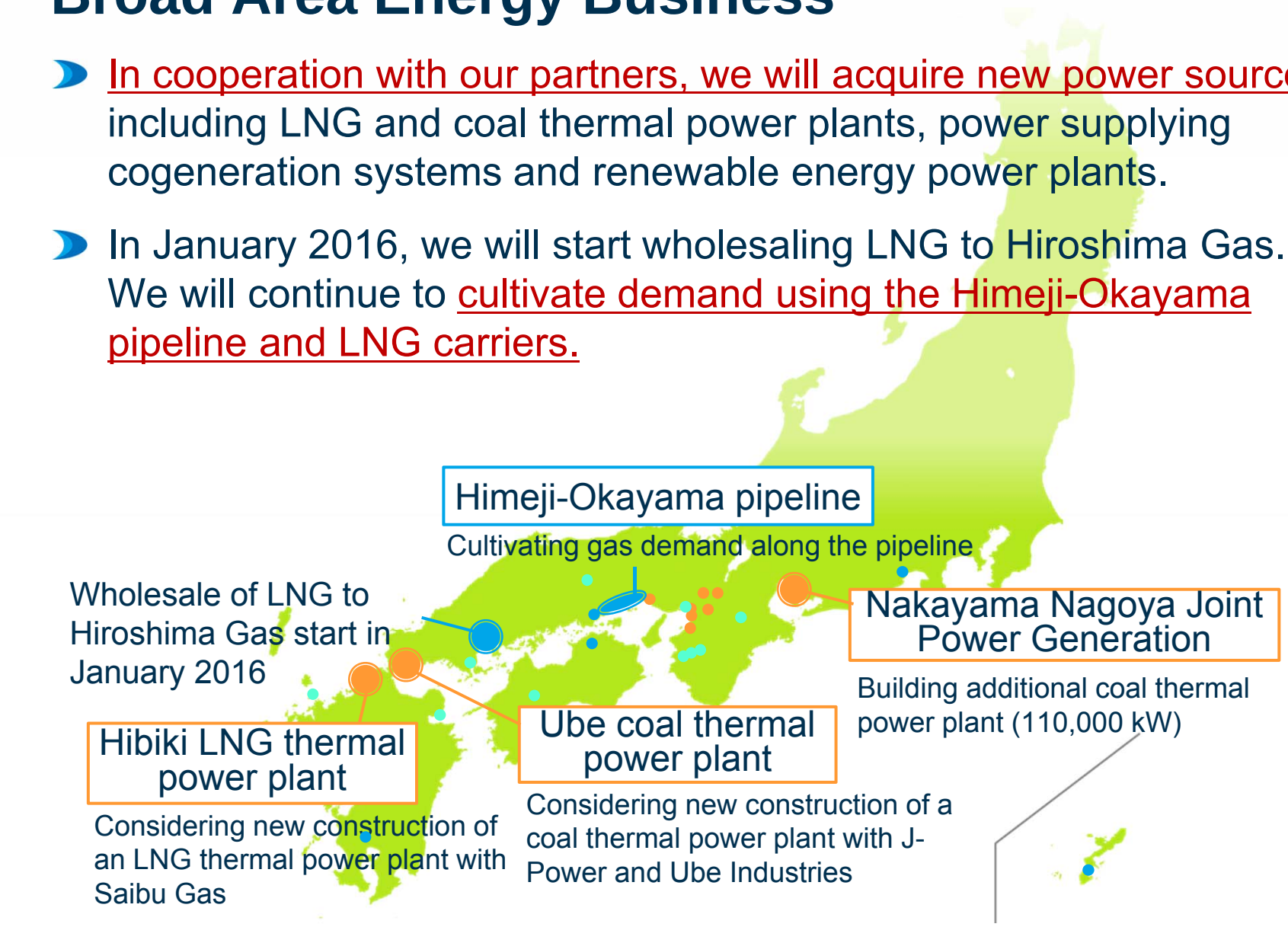
  In addition to the Kita-Osaka Hydrogen Station (opened April 2015), 1 more station will be newly built.



Kita-Osaka Hydrogen Station (Ibaraki city, Osaka)

Power Generation Business, Broad Area Energy Business

- In cooperation with our partners, we will acquire new power sources including LNG and coal thermal power plants, power supplying cogeneration systems and renewable energy power plants.
- In January 2016, we will start wholesaling LNG to Hiroshima Gas. We will continue to cultivate demand using the Himeji-Okayama pipeline and LNG carriers.



Natural Gas Procurement, Upstream Business

- By diversifying suppliers and contract price benchmarks as well as participating in natural gas liquefaction and development projects, we will enhance stability and economy in natural gas procurement.
- While promoting the projects in which we participate including Freeport liquefaction (U.S.), Gorgon and Ichthys LNG (both in Australia) and Western Papua New Guinea gas condensate field development, we will seek other opportunities of equity acquisition.

Natural gas procurement

Establishing stabile and efficient transportation of LNG



Freeport liquefaction project

Promoting liquefaction facility construction and securing feed gas procurement



Gorgon LNG project

Promoting steady progress of construction work to start the production during FY2016.3



Strengthening Gas Supply Infrastructure

- For the enhancement of safety and stability in gas supply, we will continue renewing and reinforcing our facilities, while ensuring the best practice in operation and maintenance of gas supply systems.
- Since the Great Hanshin Earthquake and the Great East Japan Earthquake, we have been reinforcing our anti-earthquake and tsunami measures.
  By the end of FY2016.3, we will establish a system to resume gas services within 14 days after being hit by level-1 tsunami following Nankai Trough Earthquake, which is anticipated to happen in the near future.

Facility renewal and enhancement



Completing construction of No.5 tank at Senboku LNG Terminal I

One of the world's largest ground type LNG tanks (capacity: 230,000 kl)



Completing replacement of gray-cast iron pipes and pipes laid inside customers' properties where were needed be replaced, in compliance with the gas safety enhancement plan

Anti-earthquake and tsunami measures



Enhancement of backup power generation facilities at terminals by replacing oil power generators with gas types



Completing construction work and starting operation of coastal anti-disaster gas supply shutdown system

Overseas Downstream Business

- Focusing on high growth economies such as Southeast Asia and North America, we will examine opportunities to participate in a broad range of projects of gas sales, energy services, power generation and LNG terminals.
- In Southeast Asia, we will increase our presence in energy businesses, in addition to Singapore and Thailand, and explore opportunities to establish new business bases.

Southeast Asia

In addition to gas sales and energy services, we will explore opportunities to participate in a wide range of businesses such as power generation and LNG terminals.



Utilizing engineering strength developed in domestic businesses in Japan (Thailand)

North America

We will explore opportunities to participate in new projects mainly in power generation, while ensuring stable operation of projects we already participate in

(Major projects Osaka Gas is involved in)



Tenaska Gatepower thermal power plant



Aurora solar power plant

Life＆Business Solutions (Non-Energy) Business

- In each business field,
  we will venture into growth opportunities while strengthening our business structure.

- Enhancing efficiency of business operation by integrating Osaka Gas Chemicals and Japan EnviroChemicals (materials solutions)
- Accelerating development of next-generation products, particularly fine materials (materials solutions)
- Expanding business through acquisition of high quality properties (Real estate)



Apartment building,
Urbanex Minato Motomachi
(Kobe city)

- Expanding cloud-based services (Information solutions)



OGIS-RI Co.,Ltd.
Tokyo No.2 Data Center

- Participating in new business domains such as healthcare services (fitness)



Virtual fitness system using a video distribution service

Promotion of Diversity

- In coping with the issues concerning the aging society and business globalization, it is essential to enhance diversity of personnel.
  As part of the efforts, the Group will promote the development of working environments for greater roles of women.
- The Osaka Gas Group will establish a flexible and efficient working system for its employees to secure their working opportunities that are not restricted by life events such as child-rearing and nursing care.

- Introducing a mentor system and career design training for female employees



- Promoting use of web conferences between employees in distant locations and introducing telecommuting systems for employees during child-rearing (under consideration)



CSR Activities

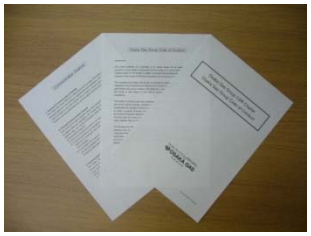
- The Osaka Gas Group will conduct business activities with an awareness of its social responsibilities.

- Promoting CSR in the entire value chain including clients

  Network Japan

  Participating in the UN Global Compact (since June 2007)

- Promoting global compliance as the Group expands its overseas businesses



  CSR Charter, corporate code of conduct (English version)

- Taking actions and disclosing information in compliance with international standards (GRI-G4)



  Osaka Gas Group CSR Report

- Taking part in solving social issues in cooperation with local governments and NPOs



  Cooperating in “HUB chari,” a bicycle sharing project operated and managed by former homeless people

Financial Forecast for FY2016.3

	Consolidated			Non-Consolidated		
	FY2015.3 E (billion yen)	FY2016.3 E (billion yen)	Change (%)	FY2015.3 E (billion yen)	FY2016.3 E (billion yen)	Change (%)
Net sales	1,535.5	1,368.5	- 10.9	1,254.5	1,064.5	- 15.1
Operating income	103.0	113.5	+ 10.2	80.0	74.0	- 7.5
Ordinary income	103.0	110.0	+ 6.8	87.0	84.0	- 3.4
Net income	71.5	73.5	+ 2.8	69.0	63.0	- 8.7
R O A	4.1%	4.0%	---	5.2%	4.4%	---
R O E	8.6%	8.3%	---	11.4%	9.7%	---

Assumptions : Crude oil price (All Japan CIF price): US$65/bbl (annual average), Exchange rate: ¥120/US$

Sensitivity for consolidated Ordinary income by fluctuation of Crude oil price and Exchange rate

$1/bbl fluctuation in crude oil prices	±0.8 billion yen	¥1 fluctuation in the US$/JPY exchange rate	±0.8 billion yen

Gas / Electricity Sales Volume

(Unit：billion m3)	FY2015.3	FY2016.3 E	Change(%)
Consolidated Gas Sales Volume	8.31	8.46	+1.8
Residential (non-consolidated)	2.21	2.20	- 0.3
Commercial, public, medical (non-consolidated)	1.45	1.45	- 0.4
Industrial (non-consolidated)	4.15	4.28	+3.2
Wholesale, etc.	0.50	0.53	+5.4
(Unit：million household)			
Number of Customers (non-consolidated)	7.18	7.22	+0.5
(Unit：billion kWh)			
Electricity Sales Volume (domestic)	8.44	8.24	- 2.4

Investment Plan

(unit : billion yen)		FY2015.3 E	FY2016.3 E	Change (%)
Investments for upgrading existing businesses		44.1	54.0	+ 22.4
Investments for expansion, greenfield and M&A		91.0	148.0	+ 62.6
Energy businesses	Domestic	22.0	17.5	- 20.5
	International	52.5	73.0	+ 39.0
Life＆Business solutions (Non-energy) business		16.5	57.5	+ 248.5
Total Investments		135.1	202.0	+ 49.5

Thank you !

Disclaimer
Certain statements contained herein are forward looking statements, strategy and plans, which reflect our judgment based on information at the time of publication. Actual results may differ materially from those discussed in such statements. Among those factors that could cause actual results to differ materially are: the economic trend in Japan, sharp fluctuations in exchange rate and oil prices and extraordinary weather conditions.