Osaka Gas Group's Business Plan for FY 2016.3

March 11, 2015
Osaka Gas Co., Ltd.

1. Priority issues in FY 2016.3

In FY2016.3, we intend to steadily implement "Catalyze Our Dreams," our Medium-term Business plan announced in March 2014, while addressing changes in the business environment for further expansion in focused domains of higher potentials of future growth, such as electricity, International energy and material solutions. Furthermore, as we prepare for the electricity and gas industry regulatory reform, we will strive to evolve into a comprehensive energy business that provides our customers with products in combinations of gas, electricity and other energy and offers various services including gas appliances.

* With the view to further expanding our power retail business after the full market liberalization in 2016, Osaka Gas has submitted the Partial Power Supply Business Commencement Notice to the Agency of Natural Resources and Energy of the Ministry of Economy, Trade and Industry today.

2. Financial Forecast

In FY 2016.3, the Osaka Gas Group is planning to generate revenues of 1,368.5 billion yen, an operating income of 113.5 billion yen, an ordinary income of 110.0 billion yen and a net income of 73.5 billion yen, on a consolidated basis.

	Consolidated			Non-consolidated		
	FY 2015.3 forecast (¥billion)	FY 2016.3 plan (¥billion)	Change (%)	FY 2015.3 forecast (¥billion)	FY 2016.3 plan (¥billion)	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
SVA	38.0	40.9	---	45.4	38.9	---
ROA	4.1%	4.0%	---	5.2%	4.4%	---
ROE	8.6%	8.3%	---	11.4%	9.7%	---

* Assumption for FY 2016.3 plan: Crude oil price (All Japan CIF price) US$ 65/bbl (annual average), Exchange rate: ¥120/US$
[Assumption for FY 2015.3 plan: Crude oil price (All Japan CIF price) US$55/bbl, Exchange rate: ¥120/US$] (*)

(*) March 1 - 31, 2015

3. Gas/Electric Power Sales Plan

In FY 2016.3, Osaka Gas is planning to sell 8,427 million m^3 of gas, up 1.8% from the FY 2015.3 forecast and 8,242 million kWh of electricity, down 2.4% from the FY 2015.3 forecast on a non-consolidated basis.

Gas Sales Volume [Non-consolidated] $1m^3$ = 45MJ

Residential	2,202 million m^3 (-0.3%)
Commercial, Public, Medical	1,446 million m^3 (-0.4%)
Industrial	4,280 million m^3 (+3.2%)
Wholesale	498 million m^3 (+5.4%)
Total gas sales volume	8,427 million m^3 (+1.8%)
Number of customers (end of year)	7,217 thousand (+0.5%)

(Consolidated) Gas sales volume	8,459 million m^3 (+1.8%)

Electricity Sales Volume

Total	8,242 million kWh (-2.4%)

Figures in parentheses are percent changes from FY 2015.3 forecast.

4. Investment Plan

In FY 2016.3, the Osaka Gas Group is planning to invest 202.0 billion yen on a consolidated basis, 56.6 billion yen of which represents capital investments on a non-consolidated basis.

(Unit: ¥billion)

		Investments
Upgrading existing businesses		54.0
Energy businesses	Domestic	17.5
	International	73.0
Life & Business solutions (Non-energy) businesses		57.5
Investment for expansion, Greenfield and M&A		148.0
Total investments		202.0

(Reference: Among above figures) Capital investments on non-consolidated basis	56.6

5. Supply Plan for FY 2016.3 through FY 2020.3

(1) Outlook for gas demand

From FY 2016.3 onward, the Osaka Gas Group anticipates further increase in the sales of ENE-FARM in the residential sector, the installation of distributed energy systems such as natural gas cogeneration systems and fuel switching to natural gas in the commercial sector and cultivation of demand along the Himeji-Okayama pipeline. The demand for gas is projected to reach 8,906 million m^3 in FY 2020.3. The average annual growth rate over the 5-year period is estimated to be 1.5%.

(Units: million m^3, m^3 / month, %)

	FY 2015.3 (forecast)	FY 2016.3	FY 2017.3	FY 2018.3	FY 2019.3	FY 2020.3	Average annual growth FY 2015.3 to FY 2020.3
Residential	+0.5 2,209	-0.3 2,202	-0.5 2,192	-0.5 2,181	-0.3 2,173	-0.4 2,165	-0.4
Commercial/ industrial	-4.4 5,599	+2.3 5,727	+2.4 5,861	+3.1 6,046	+1.0 6,106	+0.6 6,140	+1.9
Commercial	-4.6 849	-0.4 845	+0.6 851	-0.2 849	-0.3 847	-0.2 845	-0.1
Industrial	-4.2 4,147	+3.2 4,280	+2.9 4,406	+4.2 4,592	+1.4 4,656	+0.8 4,694	+2.5
Public, medical	-5.3 604	-0.5 601	+0.6 605	-0.2 604	-0.3 603	-0.2 601	-0.1
Subtotal	-3.1 7,808	+1.5 7,928	+1.6 8,053	+2.2 8,226	+0.6 8,279	+0.3 8,306	+1.2
Wholesale	+0.7 473	+5.4 498	+17.7 586	+1.8 597	+0.3 598	+0.3 600	+4.9
Total	-2.8 8,281	+1.8 8,427	+2.5 8,640	+2.1 8,823	+0.6 8,878	+0.3 8,906	+1.5
Gas sales per household	+0.0 31.3	-0.7 31.1	-0.5 30.9	-0.5 30.8	-0.3 30.7	-0.3 30.6	-0.5

(Note) Figure at upper left of each box represents growth rate (%) from previous year. Sales volumes are based on 45MJ/m^3, different from the reported value (46MJ/m^3). Fractions are rounded off in each category.

The Osaka Gas Group expects the number of new gas meter installed within its service area to increase up to around 100 thousand to 110 thousand per year, as shown below.

The year-end number of customers (number of installed meters) will increase to about 7.38 million by the end of FY 2020.3.

(Units: thousand households)

	FY 2015.3 (forecast)	FY 2016.3	FY 2017.3	FY 2018.3	FY 2019.3	FY 2020.3	Average annual growth FY 2015.3 to FY 2020.3
New houses	+5.6 108	-6.0 101	+0.4 102	-2.6 99	-2.1 97	-1.3 96	-2.4
Number of customers (end of FY year)	+0.7 7,185	+0.5 7,217	+0.6 7,259	+0.6 7,300	+0.5 7,340	+0.5 7,380	+0.5

(Note) Figure at upper left represents growth (%) from previous year.

(2) Raw material consumption plan

The Osaka Gas Group estimates that LNG consumption and LPG consumption will reach 7.38 million tons and 0.28 million tons respectively in FY 2020.3 due to an increase in demand. The Group will continue working to secure LNG and LPG procurement in order to maintain a stable supply.

(Units: thousand tons)

	FY 2015.3 (forecast)	FY 2016.3	FY 2017.3	FY 2018.3	FY 2019.3	FY 2020.3
LNG consumption	6,905	7,056	7,068	7,291	7,325	7,376
LPG consumption	165	154	238	227	244	277

(3) Capital investment plan

Planned capital investments from FY 2016.3 through FY 2020.3 are mainly for the expansion of production capacity and the maintenance of pipeline network to cope with a future increase in demand, the replacement of distribution facilities to ensure safety and a stable supply, and the construction of anti-disaster structure especially against earthquake and tsunami in production and distribution facilities. In total, these capital investments amount to 246.3 billion yen.

*Fractions are rounded down in each category. (Units: ¥ billion)

	FY 2015.3 (forecast)	FY 2016.3	FY 2017.3	FY 2018.3	FY 2019.3	FY 2020.3	Total FY 2016.3 thru. FY 2020.3
Production facilities	6.6	15.0	7.9	5.3	4.5	6.2	39.0
Distribution facilities	33.4	35.0	34.4	38.0	38.3	39.8	185.6
Operation facilities	5.1	5.4	4.2	3.2	3.4	3.4	19.8
Incidental business facilities	0.6	1.1	0.1	0.1	0.1	0.1	1.7
Non-consolidated total	45.9	56.6	46.7	46.7	46.4	49.6	246.3

[Major production facility plan]

Facility	Capacity	Location	Scheduled installation
LNG storage facility	230,000 kl	Senboku LNG Terminal No.1 Facility	FY 2016.3
LNG vaporizer	150t/hour ×2 units	Himeji LNG Terminal	FY 2017.3 FY 2018.3
	150t/hour	Senboku LNG Terminal No.1 Facility	FY 2020.3

[Main pipeline plan]

Pipeline	Total distance	Section	Scheduled Completion
Aioi pipeline	Approx. 3 km	Aioi City, Hyogo Prefecture	FY 2016.3
No. 2 East pipeline	Approx. 11 km	Izumiotsu City, Osaka Prefecture to Shijonawate City, Osaka Prefecture	FY 2020.3