

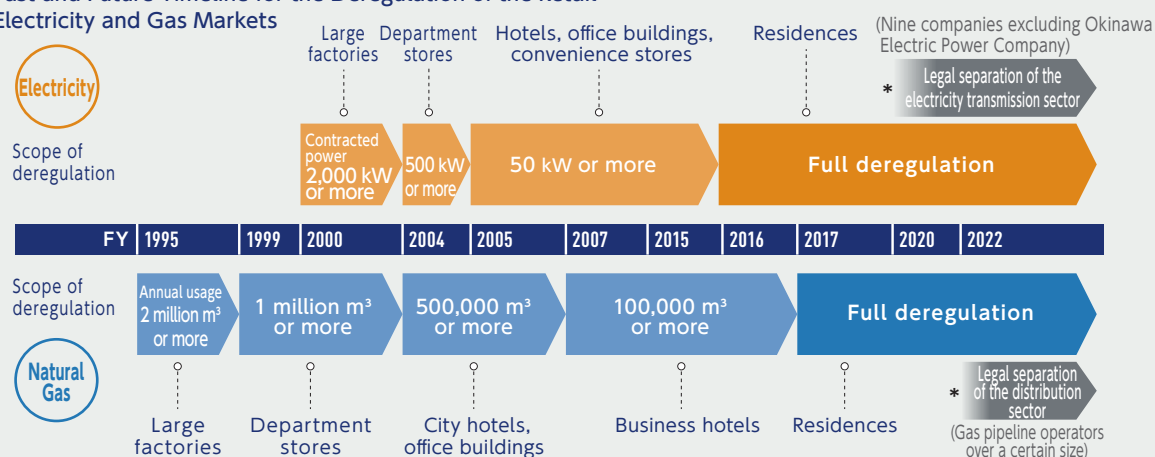
# Aiming for Further Progress

The Osaka Gas Group has been ensuring a stable supply of city gas to the Kansai region for more than 110 years since it was founded. In addition to developing gas appliances and equipment, we have also been bolstering our maintenance and other services, and meeting the diversifying needs of customers. Osaka Gas has also been actively investing and growing not only its business in the gas sector, but also its electric power business, international energy business, and non-energy business. All of the structures it has cultivated form the foundations for the growth of the Osaka Gas Group's businesses. The environment is changing due to reforms in electricity and gas systems, but we are expanding our businesses by building on our firm business foundations, and striving to achieve even greater progress in the future.

## Electricity and Gas System Reforms

An act revising the Electricity Business Act and the Gas Business Act was enacted by the Diet in June 2015. The schedule for reforming the electric power and gas systems was defined therein. The liberalization of the retail electricity and gas markets has been proceeding gradually thus far, but with these legal reforms, electricity retailing became fully deregulated April 2016, and the gas market will follow suit in April 2017. This will make it possible for all customers to freely choose their own electric power and gas service providers.

### Past and Future Timeline for the Deregulation of the Retail Electricity and Gas Markets



\* Examination of the implementation conditions following the revisions to the law and of the conditions facing the gas and electric power industries.

## Relationships with Customers Built Over 110 Years

Having started by supplying gas, we strive to meet our customers' diversifying needs by developing gas appliances and equipment and offering maintenance and other new services. Osaka Gas service chain partners, which are closely connected to their communities, and Osaka Gas sales personnel spend a lot of time working closely with customers. By offering options that best suit their customers' needs, they have built strong relationships with those customers and

developed a robust sales infrastructure.

By continuing our work in the stable procurement of LNG, the maintenance and repair of gas production facilities and distribution networks, and disaster countermeasures, we are ensuring a stable and safe gas supply. In addition, we have been working on developing our electric power business, for example, through ownership of our own power sources.

Through face-to-face meetings,  
we propose optimal gas  
appliances, equipment, and services  
to meet customers' needs

about  
**7.25** million  
customers

Ensuring a safe and stable  
supply of energy for more  
than 110 years

### Robust Sales Infrastructure Connected to Communities

Community activities conducted by  
service chain partners and Osaka Gas

Service Chain Partners  
approx. **200** locations



→ See p. 28

#### Diverse products and services

Overall level  
of satisfaction  
**91.9%**



→ See p. 50

#### Energy Solutions Capabilities

No. of equipment units given  
energy-saving diagnosis  
approx. **5,600** items



Development of  
custom-made burners  
approx. **1,500** types

→ See p. 30

#### Development Capabilities for Gas Appliances and Equipment

Development of the world's  
most efficient fuel cells



→ See p. 41

### Efforts to ensure a safe and stable supply of energy

#### Distribution Network Care and Maintenance

Length of pipeline  
approx.

**61,400** km

→ See p. 24



#### Stable LNG Procurement

LNG procurement  
approx.

**8** million  
tons/year

→ See p. 32



#### Our Own Power Sources

Power sources owned  
Domestic  
approx.

**1.84** GW

→ See p. 25



# Evolving into a Next Generation Energy Marketer

As we respond to changes in the business environment related to the liberalization of the retail electricity and gas markets we are promoting the expanded use of natural gas through the dissemination of decentralized energy systems, such as ENE-FARM. We are also expanding our electricity retail business by using the relationships that we have cultivated with customers thus far.

We are broadening our service offerings so that

we can better respond to the various problems experienced by our customers, which we learn about in the context of our customer relationships, and are offering not only energy, but additional value-added services. By evolving into a next-generation energy marketer that contributes to the success of our customers' lives and businesses, we hope to continue to be our customers' number one choice for energy.

## Offering "Sumikata Services" (Home Services)

### Residential

Leveraging our strength in having close ties to our communities, we are tendering new services that offer optimal residential approaches tailored to our customers' lifestyles, providing a form of residential support. In addition to developing our standard lineup of services, such as the sales and maintenance of gas appliances, we are expanding various services like plumbing and air conditioning repairs, and are offering a wide variety of services for the home. ➔ For more details, see p. 28

**Becoming a  
next-generation  
energy marketer**

Offering services  
that enable the safe,  
reliable and efficient  
use of energy

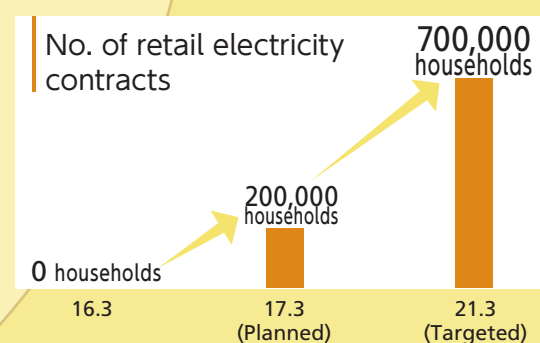
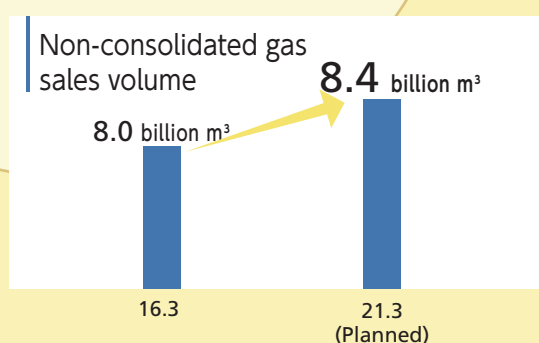
Developing and  
supplying the latest  
gas appliances  
and equipment

full  
Deregulation  
of the Retail  
Electricity  
Market

## Expanding ICT Solutions

### Commercial and Industrial

We are striving to be a one-stop shop for solving problems involving energy, including sales of gas equipment and offering solutions to help save energy and improve quality. By expanding our ICT services, we can meet the very specific needs of customers in a more tailored way. ➔ For more details, see p. 30



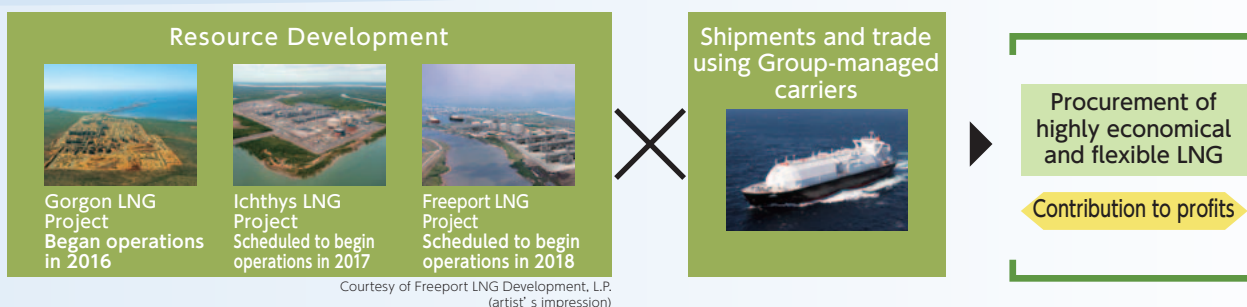


## Participating in International Energy Business to Procure Highly Economical, Flexible LNG and to Grow Revenues

The Osaka Gas Group has had stakes in overseas projects since 1990 and has actively developed its overseas energy business by putting its accumulated knowledge to use. By steadily developing each of the businesses in which we participate, we have high expectations for the procurement and profit contribution of LNG, which has highly economical and flexible characteristics, and for the expansion of our energy business service area. ➔ For more details, see p. 33

### International Upstream Business

We have stakes in gas field development projects largely in Australia and North America. In 2016, we began operations at the Gorgon LNG Project, and we are planning to sequentially commence operations at other projects moving forward. By engaging in trade using our own Group carriers to transport the LNG we have procured ourselves, we can expect to achieve even greater outcomes.



### International Downstream Business

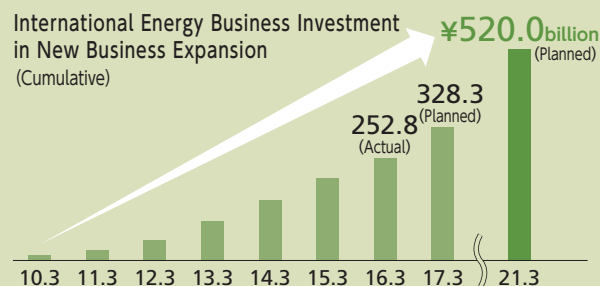
In North America, Europe, Southeast Asia and other regions, we are engaged in the power generation business, gas distribution business, industrial gas retail sales business, and the energy services business, among others. In the future, we expect to expand our business engagement using the technologies and know-how we have cultivated domestically.



## Striving to Further Expand our International Energy Business

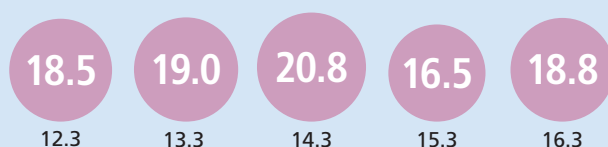
In addition to steadily implementing the existing upstream projects in which we are already taking part, we are continuing to carefully examine our investments while exploring the acquisition of new interests. In our downstream business, we are exploring opportunities to participate in businesses in which we can expect to apply our company's know-how to improve the value of the business, particularly in areas where investment profitability and risk are readily identifiable. Through these efforts, we are promoting the procurement of highly economical and flexible LNG gas and are striving to expand our international energy business.

Norwegian North Sea  
(Idemitsu Snorre Oil  
Development Co., Ltd.)



## Life & Business Solutions (Non-Energy Business) Yields Stable Profits

Trends in segment profits from life & business solutions (non-energy business) (billion yen)



### Using know-how to develop systems

In addition to developing and managing systems for energy providers, we are using the know-how held by group companies Sakura Information Systems and Ube Information Systems to develop and operate systems for financial companies and production companies.

### Information Solutions Business



OGIS-RI

### Material Solutions Business



Applications for activated carbon

### Real Estate Business



The Urbanex  
Kyoto Sanjo-dori

### World's second largest share of the activated carbon market

We are developing and marketing highly functional materials built primarily around our coal chemistry technologies and medical industry technologies. In addition, we are rolling out operations globally in a wide range of fields, as shown by the 2014 addition to our Group of a Sweden-based activated carbon company.

### Maintaining high occupancy rates in rental apartments and offices

We own about 4,200 apartment units in highly convenient neighborhoods of Kyoto, Osaka, Kobe, and the Tokyo metropolitan area, and we maintain a high occupancy rate of 95% or higher in these units. In addition to earning stable revenues, we are working to sell condominiums under the "The Urbanex" brand as well.

## Striving to Create of the Next Core Businesses through Expansion

In our material solutions business and information solutions business, we are engaging in new product development that builds on our core technologies and know-how, and are pursuing acquisitions of domestic and overseas companies that can demonstrate synergies in terms of our technologies and business areas. In the real estate business, we are pursuing the acquisition of profitable lease assets.

These moves demonstrate that we are striving to create of the next core businesses by improving the value of our businesses and expanding our businesses into growth markets.

