

Osaka Gas Group
Mid-term Business Plan (2014-2016)
Catalyze Our Dreams



March 2014
Osaka Gas Co., Ltd.

[Notes] "(FY) XXXX" means fiscal year starting in April, XXXX.
(Ex.) (FY)2014= Starting in April, 2014, ending in March, 2015

Ladies and gentlemen, I would like to thank you for your continuous support and advice for management of Osaka Gas Group.

I am pleased to explain to you the details of our new medium-term business plan, "Catalyze Our Dreams."

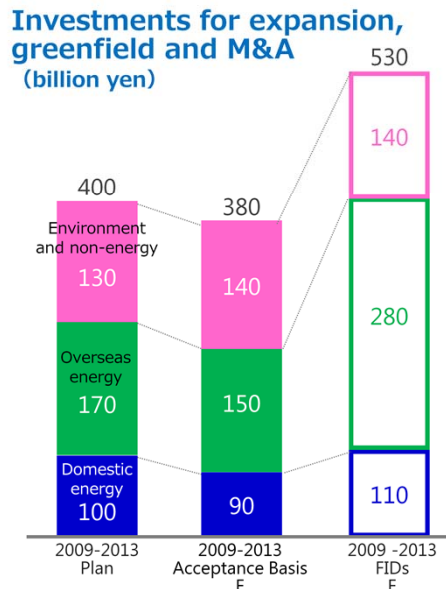
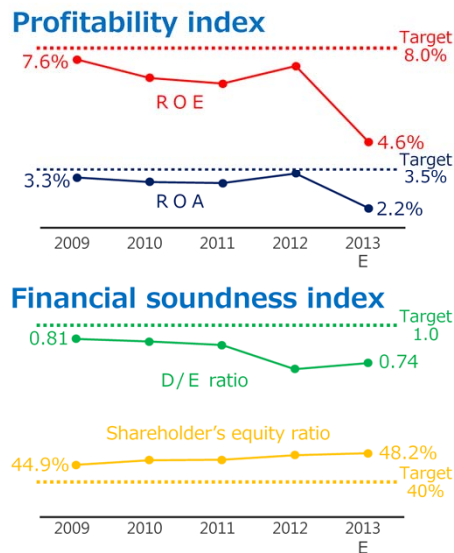
In 2009, we announced our long-term vision and medium-term business plan, "Field of Dreams 2020," and we operated our business for five years, from FY2010.3 to FY2014.3 in accordance with the plan.

During the period, there were several events that greatly affected our business, such as the Great East Japan Earthquake, the debate on reform of the electricity and gas industry, and the shale gas revolution in North America.

Taking into account these changes in the business environment we would like to reconfirm our goal, accelerate our efforts and achieve results through this new mid-term plan.

Field of Dreams 2020

Review of 1st phase (2009-2013)



Under “Field of Dreams 2020,” we aimed not only grow business but also grow profitability to increase corporate value. In particular, recognizing ROE and ROA as important indexes, we set an 8% ROE and a 3.5% ROA as our goal for FY2014.3.

It seems difficult for us to accomplish our target for FY2014.3 because we posted an extraordinary loss of approximately 29.0 billion yen due to suspension of drilling in the Pearsall Shale Gas and Liquids Development Project.

Regarding financial soundness, we achieved our target of “Field of Dreams 2020”: “shareholders’ equity ratio at 40% or higher” and “D/E ratio of approximately 1.0.”

Field of Dreams 2020 Review of the 1st phase (2009 to 2013)

Domestic Energy Business

Senboku Natural Gas Power Plant
(Stable operation of the power generation business)



Extension of trunk lines
(Mie-Shiga/Himeji-Okayama)



Launch of a residential fuel cell
cogeneration system "ENE-FARM"



Cumulative number of
units sold: 23,000 units

Overseas Energy Business

Participation in upstream
development projects in
Australia and Pacific regions
(Gorgon [Australia], Ichthys [Australia],
Papua New Guinea).



Participation in Freeport
Liquefaction Project in U.S.



Photo courtesy of Freeport LNG Development L.P.

Launch of natural gas
marketing business and
energy business in
Singapore and Thailand.

Environment and Non- Energy Business

Acquisition of
Jacobi Carbons AB
(manufacturer and distributor of coconut
shell activated carbon in Sweden).



Increased holding of
blue-chip properties in
real estate business.

Capacity expansion of wind
and solar power generation
in Japan and overseas.

Participation in water
supply business in the U.K.

Here are our business activities for the past five years.

During the period, we made efforts towards future growth in each field, while responding to events that we didn't anticipate when we announced "Field of Dreams 2020," such as the Great East Japan Earthquake.

Vision for the Osaka Gas Group

Growing into a business group actively expanding its business fields by leveraging its strengths, enhancing various businesses to a world-class level and enriching customers' lives and society.



* Ratio of domestic and overseas energy business – Domestic : Overseas = 50 : 30

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Through these business activities, we aim to grow into “a business group actively expanding its business fields by enlarging its strength, enhancing various business to a world-class level and enriching customers' lives and society.

In the energy business, we will respond to a variety of demands from our customers and society through the supply of various types of energy, including natural gas, electricity, LPG, and the combination of high-quality of safety, technology, and services.

In the life & business solutions business, including material solutions, information solutions, real estate and life services, we will provide our customers and society with solutions that realize a comfortable, convenient, and healthy life by making use of our technology and business know-how nurtured through the energy business.

Concept of “Catalyze Our Dreams”

(Long-Term Management Vision and Medium-Term Management Plan)

Targets the Osaka Gas Group aims to achieve in "Field of Dreams 2020"

- (1) Business fields expansion
- (2) Solid business portfolio

The Great East Japan Earthquake, the electricity and gas industry regulatory reform, the shale gas revolution, etc.

The Group will accelerate its efforts to realize the Vision for the Osaka Gas Group and develop its abilities to survive the competition.

- With the electricity and gas industry regulatory reform in mind, the Group will evolve into a comprehensive energy business.
- To keep growing, the Group will actively try to expand its business fields that are expected to grow faster, namely power generation, international energy businesses, and material solutions.

Striving to have projects the Group engages in contribute to earnings growth.

Venturing into new fields.

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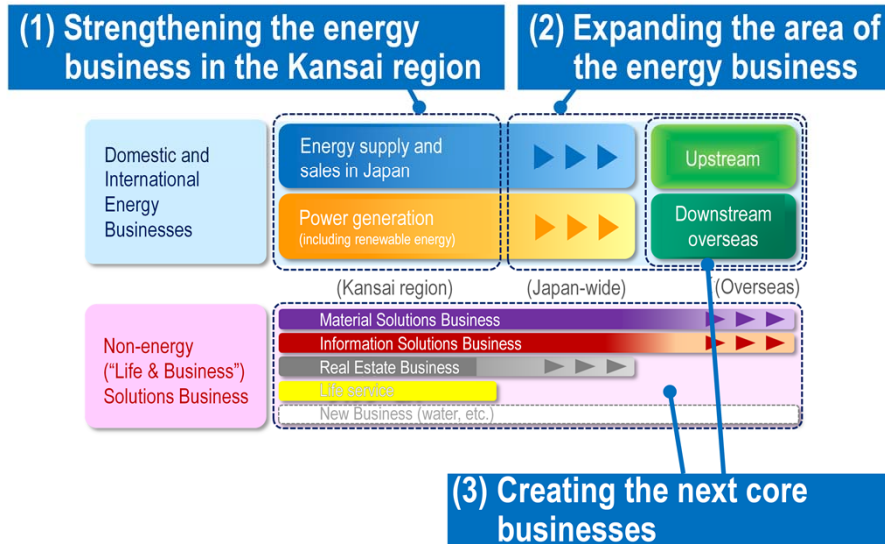
To realize our vision, we made efforts to achieve our targets—expanding our business fields and establishing a solid business portfolio—in “Field of Dreams 2020.”

While maintaining this long-term vision, we will accelerate our efforts to achieve it by formulating a new medium-term business plan based on changes in the business environment.

Keeping the future reforms to the electricity and gas industry in mind, we will speed up our transformation into a “comprehensive energy business” operator in the coming three years and expand our businesses in fields where future growth is expected, such as power generation, overseas energy, and materials solutions. We will increase our competitiveness and respond to changes in the business environment in the future through these efforts.

To that end, on top of venturing into new fields, we need to strive hard to have projects we engage in contribute to earnings growth in the coming three years from FY2015.3 to FY2017.3.

Priority Themes in “Catalyze Our Dreams”



We will focus on the following three prioritized themes under the new medium-term business plan.

The first is strengthening the energy business in the Kansai region.

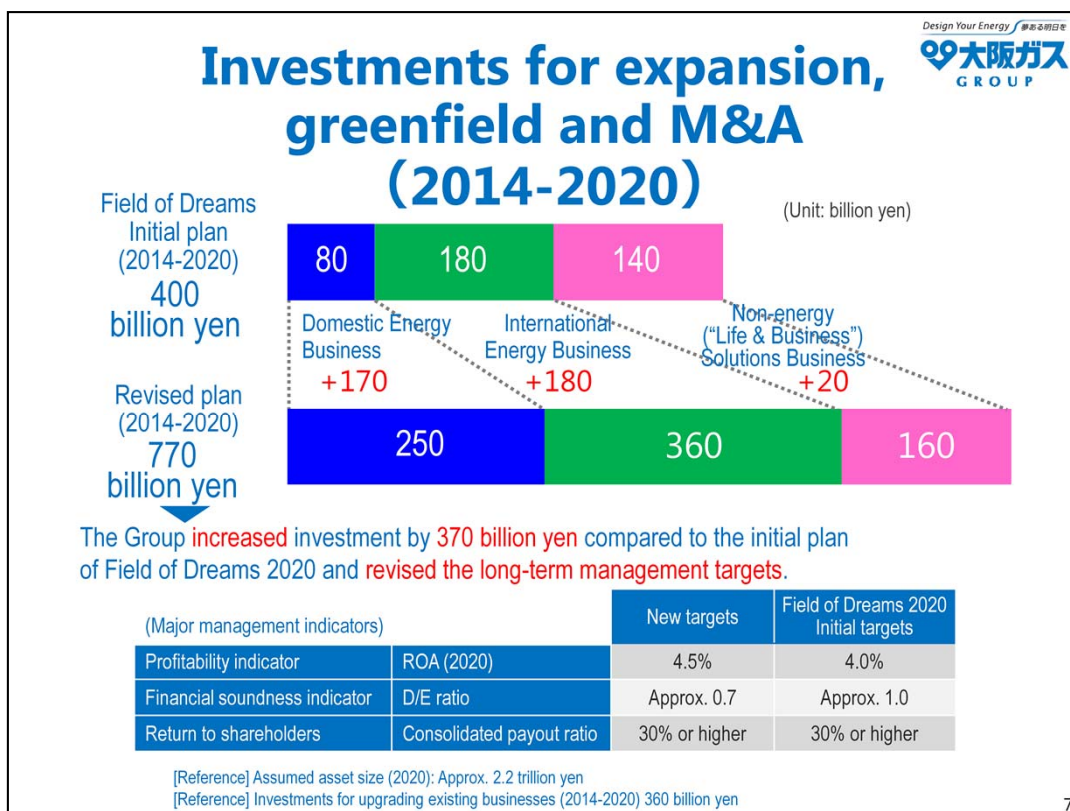
The energy business in the Kansai region is the core business of the Osaka Gas Group. As the gas industry reform progresses, new entrants are expected to be attracted to the market. To remain the preferred choice of customers, we will strengthen the energy business.

Second, expanding the operating area of the energy business.

It can be said that the reforms to the electricity and gas industry will offer us new business opportunities. We will expand the energy business at home and abroad by using our business know-how.

Third, creating the next “core” business.

To establish a solid business portfolio, it is important for us to have a business whose risk profile is different from that of the domestic energy business. Therefore, we will also create “core” businesses in fields other than the domestic energy business.



The business environment surrounding the Osaka Gas Group is expected to change drastically in the future, including the implementation of reforms to the electricity and gas industry.

This change will offer us a chance to greatly expand our business. To maintain our high competitiveness and keep growing in a stiff business environment in the future, we need to continue investing aggressively.

To that end, we will increase our investment in expanding new businesses by 370 billion yen, namely in the domestic and overseas energy businesses centered on power generation, and upstream businesses.

In addition, our business activities for the past five years that I explained a while ago are likely to contribute to earnings growth in the late 2010s. Taking into account higher profitability in FY2021.3 compared to our assumption in “Field of Dreams 2020,” we revised our ROA target from 4.0% to 4.5%.

Meanwhile, the domestic energy business is expected to become more uncertain. To continue operations and provide capital expenditure under such an environment, we need to maintain our high level of financial soundness by strengthening our balance sheet. Based on this policy, we revised our D/E ratio target, a financial soundness indicator, from approximately 1 to approximately 0.7.

We will continue trying to achieve a 30% or higher payout ratio. We will return the fruits of the Osaka Gas Group’s growth to our shareholders by increasing dividends along with the expansion of the Group’s profit.

Domestic and Overseas Energy Businesses

Design Your Energy 自然エネルギー
大阪ガス GROUP

Enhancement of stability and economy in natural gas procurement and upstream businesses

Securing stable procurement of LNG at competitive prices by purchasing LNG from diversified sources in a flexible manner to meet expanding demand

(2020)
In-house production : Approx. 30%

(Other activities)
Taking LPG produced in North America

Freeport liquefaction project in U.S.
Cooperating closely with project partners to ensure the first shipment in 2018

Promoting upstream project development
Steadily promoting development of projects in which the Group is involved and participating in new projects with an eye to possible risks

● Projects in which the Group participates

(Major projects)

- Gorgon LNG project (Australia)
- Ichthys LNG project (Australia)
- Condensate development project in Papua New Guinea

Photograph courtesy of Freeport LNG Development L.P.

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I would like to explain to you the details of our business activities in each field. I will begin with “Enhancement of stability and economy in natural gas procurement and upstream businesses.”

To have natural gas play the role of the key energy, we need to provide customers with natural gas safely, stably, and economically.

We will aggressively engage in LNG production to achieve it, and will use the procured LNG to satisfy not only energy demand in the Kansai region but also various new demands.

Regarding the Freeport Liquefaction Project, we decided to invest in an LNG liquefaction company in February 2014. We will continue to actively promote the project in close cooperation with our project partners in order to commence shipments in 2018.

Furthermore, we will steadily promote development of projects, including the Gorgon LNG project, which will begin production during the period of the medium-term business plan.


In promoting the Freeport Liquefaction Project, we still believe that acquiring interests in shale gas in North America is effective for hedging the risk of gas price fluctuations. We will examine the possibility of participating in a new shale gas project by making use of our experience of the Pearsall Shale Gas Project.

Domestic and Overseas Energy Businesses

Design Your Energy / 暮らしの明日を
 大阪ガス
 GROUP

Evolution into integrated energy business of gas & power supply plus energy solutions

Responding to various types of customer demands by offering
combined services of gas & power supply and energy solutions



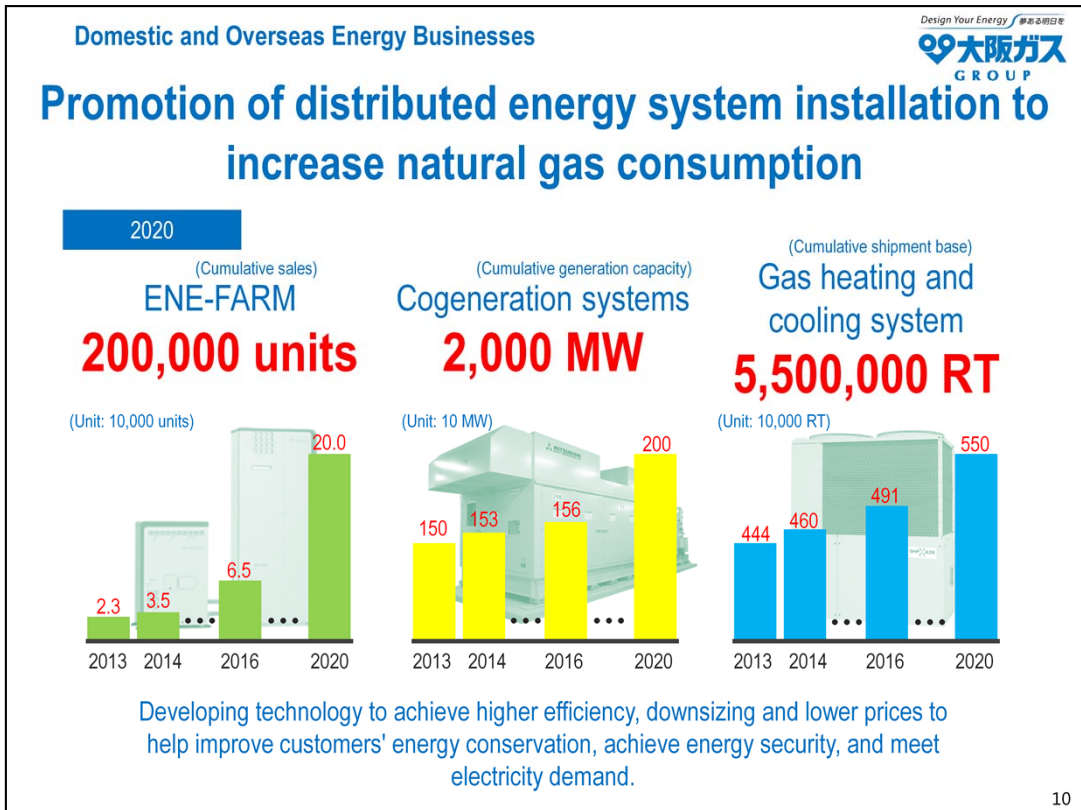
The diagram illustrates the company's expansion from traditional gas services to a comprehensive energy business. It highlights the integration of gas (LPG, Industrial gas, LNG, City gas) and power generation (represented by a light bulb). This integration leads to four main service pillars: Comfort and convenience, Energy conservation, Energy security, and Security and safety. Each pillar is supported by specific products and services, including EcoWave, save, and various maintenance and safety services.

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The reforms to the electricity and gas industry will greatly change the way we market energy.

We will respond to various types of demand from our customers and society, mainly in the area of energy, by combining energy sales, including not only gas, such as LPG, industrial gas, and LNG, but also power generation, and solutions such as sales of equipment and facilities, after sales service, maintenance and security. We believe that this is what the “comprehensive energy business” is supposed to offer.

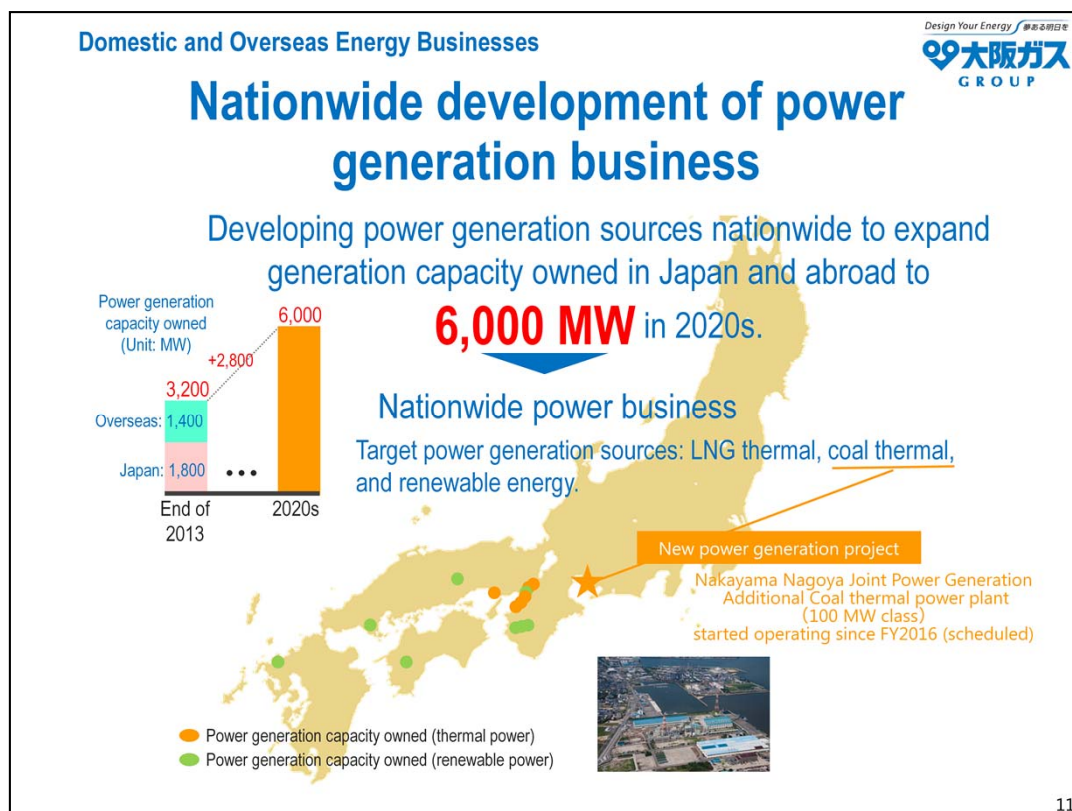
We will make our customers’ lives more comfortable and develop our customers’ businesses by transforming the Company into a “comprehensive energy business” operator.



Natural gas is placed as one of the important energies in the Basic Energy Plan that the government is studying. Therefore, accelerating efforts to expand the use of natural gas, including the widespread use of distributed energy systems, is considered to be a big issue for the city gas industry. Making this happen will lead to our transformation into a “comprehensive energy business” operator.

We will work harder to increase the penetration of distributed energy systems. Our targets in FY2021.3 on cumulative basis include: ENE-FARM: 200,000 units, gas co-generation systems: 2,000 MW, and gas heating and cooling systems: 5.5 million RT. Through these efforts, we will respond to our customers' demands, such as energy saving and energy security.

To help propel widespread adoption of distributed energy systems, we will focus on sophisticating equipment through technological development. In particular, we will downsize ENE-FARM by 2016 so that the units can be used in apartments, resulting in further penetration.

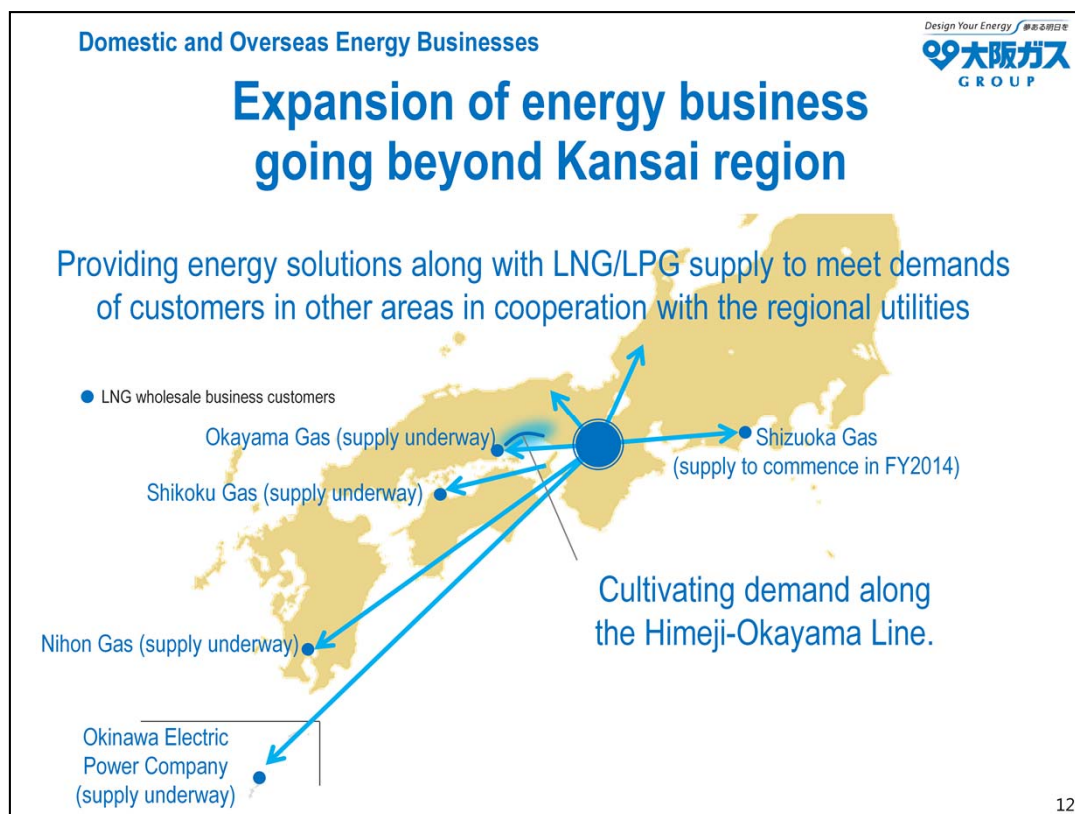


In addition to the widespread use of distributed power sources, we will develop power generation sources. We will participate in power retail business targeting power customers throughout Japan. Therefore, we will establish competitive power generation sources throughout Japan.

As a first step, we will develop power generation sources nationwide, including in eastern Japan, to expand the power generation capacity that we own in Japan.

We need to own base-load power generation sources with price competitiveness to expand our power business. To that end, we will boost our coal thermal power generation capacity in addition to our LNG thermal power generation and renewable energy power generation efforts in order to establish best mix of power generation sources. As a part of such effort, we will build new unit in existing coal power generation facilities at Nakayama-Nagoya joint power generation.

We aim to expand our power generation capacity in Japan and abroad to 6,000 MW in the 2020s through these efforts. Our power generation capacity is expected to nearly double from the current level, which is approximately 3,200 MW.



The power business is not the only business we aim to promote nationwide. We have expanded the use of natural gas by cooperating with the regional utilities. We will continue working to expand the sales of LNG, LPG and energy services by using our know-how to cultivate demand

We are constructing the Himeji-Okayama Pipeline, which is scheduled to start operation in April 2014, to capture new demand for gas. We plan to aggressively cultivate demand for gas with the aim of making full use of the new gas pipeline.

We will set up the Power Generation Business Promotion Department and the Wide-Area Energy Sales Department in April 2014 to more efficiently operate these businesses.

Expansion of overseas downstream business



In addition to the development of new businesses in Japan, we will expand our businesses overseas by actively using our business know-how.

In Southeast Asia, we are involved in the sale of natural gas in Singapore and the energy service business in Thailand. We plan not only to expand these businesses but also develop new businesses and add other target countries. We will also examine opportunities to participate in projects in regions other than Asia, namely North America.

Domestic and Overseas Energy Businesses

Design Your Energy 夢をカタチにする

大阪ガス

Strengthening of production and supply bases and enhancement of safety and disaster prevention

Strengthening production and supply bases

Expanding production and supply capacity and promoting operation and maintenance with the next generation in mind.

Strengthening production and supply bases.



Senboku LNG Terminal
Terminal I No. 5 tank

Trunk line construction

Enhancing safety and disaster protection

Promoting disaster prevention measures, such as dividing supply areas into smaller blocks for quicker post disaster restoration, and maintaining and enhancing emergency responsiveness

Target number of days to service resumption*
Nankai Trough earthquake (Lv1 tsunami): **2 weeks**

* Lightly damaged regions only



(Trunk line network)

Himeji-Okayama gas pipeline (Scheduled to open April 2014)

Himeji LNG Terminal

Senboku LNG Terminal (Terminal I, Terminal II)

Mie-Shiga gas pipeline (Opened January 2014)

Chubu Electric Yokkaichi Thermal Power Plant

Safety and anti-disaster measures



Measures to increase earthquake resistance of gas pipelines



Round-the-clock emergency response

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We believe that establishing a solid production and supply network to enhance the level of energy safety and to have customers use energy safely is absolutely necessary for natural gas to play the role of a major energy source. Therefore, we will make efforts to ensure a stable and safe supply of gas.

Non-energy (“Life & Business”) Solutions Business

Design Your Energy 大阪ガス GROUP

Aggressive endeavors in growth markets (Material Solutions Business)

Leveraging strengths of each companies in Osaka Gas Chemicals Group ,
boosting sales of the Group to 100 billion yen.

大阪ガスケミカルグループ
OSAKA GAS CHEMICALS GROUP

Fine materials

Activated Carbon

Preservatives

Carbon fiber materials

Environmental materials

Jacobi
THE CARBON COMPANY

Transferring production technology to improve development process of new products and quality of service

JChem
日本エンバイロケミカルズ

Sharing distribution and sales systems to improve efficiency.

Jacobi

JChem

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The energy business is not the only business field where the Osaka Gas Group’s advantages can be used.

In the material solutions business, we will expand the activated carbon business in addition to existing businesses, such as fine materials.

In January 2014, we acquired Jacobi Carbons AB headquartered in Sweden. The acquisition ranks the Osaka Gas Group (including Japan EnviroChemicals, Ltd.) third globally in the activated carbon industry.


The activated carbon market is expected to grow faster, mainly in emerging countries, and generate stable profits for us.

To expand the business, we will use the respective advantages of Jacobi Carbons and Japan EnviroChemicals in production, distribution, and marketing.

Aggressive endeavors in growth markets (IT solutions, real estate and fitness business)



 **OGIS-RI**
IT solutions business
expanding cloud-based services

 大阪ガス都市開発

Real estate business

Developing blue-chip properties in competitive locations
(in Kansai and Tokyo Metropolitan regions)



OG Sports Co., Ltd.  **CO2PA**
Comfortable Sports Space

Life services business

Providing health and fitness services to help enhance both
physical and mental well-being of customers

We will work to expand our businesses, such as the information solutions, real estate, and life services businesses, in growth markets by using the know-how and customer bases we have nurtured through the energy business.

In the information solutions business, we plan to expand our cloud-based services, which are expected to grow sharply in the future.

In the real estate business, we will promote real estate development not only in the Kansai region, our main market, but also in the Tokyo Metropolitan region.

In the life services business, we will be involved in healthcare services, the need for which is likely to expand along with the aging of society.

Design Your Energy / 夢をカタチにする


Strengthening the management platform

Solutions & Innovation based on technological prowess of Osaka Gas Group

Leveraging core technologies to create solutions optimal for customers and achieve next generation innovation

Development of technologies to expand the use of natural gas.



Residential fuel cells (ENE-FARM)
More efficient and downsized



Build-to-order engineering using combustion technology



Development of "smart" gas appliances using information communication technology (ICT)

Promotion of energy projects by using engineering technologies.



Resource development and gas liquefaction engineering
Photograph courtesy of Freeport LNG Development L.P.



Power generation engineering

Enhancement of added value through data analysis



Using accumulated data to predict equipment failures and improve services.

Development of technologies in the environmental field.



Hydrogen generator (HYSERVE)
Reduced prices and improved efficiency



Biomass resources



Equipment to generate biogas from garbage

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To carry out the plan of each business I have explained today, we need to make full use of our technologies.

We will enhance the added value of our businesses in the fields presented on this slide.

For details, please refer to the materials at hand, including the policy to promote diversity and CSR activities, major management indicators of our new medium-term business plan, and our financial forecast for FY2015.3.

Thank you for your attention.

Diversity promotion policy of the Osaka Gas Group

Bring in diverse values and ideas to realize
the vision for the Osaka Gas Group.

Establishing a corporate group with a diversity of work force, having respect for others, deriving satisfaction from work, regardless of gender, age, disability, nationality, or employment status

Promoting high productivity work style ("smart work") and work-life balance to create a working environment for everyone to be able to show their ability in their work

Primary focus is to create a working environment and corporate culture with greater roles of female employees by implementing the following measures:

- Increasing the percentage of female new graduates hired in managerial track up to 30% or higher
- Increasing the percentage of female employees in managerial positions up to 5% or higher
- Appointing more female directors

Promotion of CSR activities of the Osaka Gas Group.

Globalization of CSR activities as business fields expands

(Activities based on the Osaka Gas Group's CSR Charter)

Common Principle	Pursuing higher CSR performance throughout the entire value chain
CSR Charter I Creating Value for Customers	Offering products and services that meet the needs of customers and society
CSR Charter II Harmonizing with the Environment and Contributing to Realizing a Sustainable Society	Striving to reduce environmental impacts and help realize a low-carbon society
CSR Charter III Being a Good Corporate Citizen Contributing to Society	Continuing dialogue with regional communities and contributing to society
CSR Charter IV Complying with Laws and Regulations and Respecting Human Rights	Promoting global compliance activities as overseas businesses expand
CSR Charter V Management Policy for Human Growth	Creating an environment where a diversity of work force show their ability in work and enhance it through work

Management goals for the Osaka Gas Group

		The latest plan		Field of Dreams 2020 The original plan
		2016	2020	2020
Profitability index	ROA	3.5%	4.5%	4.0%
	ROE	8.0%	9.0%	9.0%
Financial soundness index	D/E ratio	Approximately 0.7		Approximately 1.0
	Shareholder's equity ratio	50% or higher		40% or higher
Shareholder returns	Payout ratio	30% or higher [※]		30% or higher [※]

※Excluding short-term earnings change factors

Share buy back will be carried out based on comprehensive consideration of various factors including investment and financial situations.

Total Investments

		The latest plan		Field of Dreams 2020 The original plan
		2014-2016	2009-2020	2009-2020
(unit : billion yen)				
Investments for upgrading existing businesses		160	600	700
Investments for expansion, greenfield and M&A		340	1,150	800
Energy businesses	Domestic	80	350	180
	Overseas	180	520	350
Non-energy ("Life & Business") solutions business		80	280	270
Total Investments		500	1,750	1,500

Energy Transaction Volume

(Unit : billion m3)	2013 E	2014	2015	2016	2020
Consolidated Gas Sales Volume	8.53	8.48	8.65	8.79	9.10
Residential (non-consolidated)	2.20	2.21	2.20	2.20	2.17
Commercial (non-consolidated)	1.52	1.46	1.47	1.48	1.47
Industrial (non-consolidated)	4.32	4.30	4.37	4.50	4.83
Whole sale, etc.	0.49	0.51	0.61	0.61	0.63
(Unit : hundred thousand household)					
Number of Customers (non-consolidated)	71.3	71.6	72.0	72.4	73.7
(Unit : billion kWh)					
Electricity Sales Volume (domestic)	8.32	8.42	7.50	7.89	12.00

Financial Forecast for 2014

	Consolidated			Non-Consolidated		
	2013 E (billion yen)	2014 E (billion yen)	Change (%)	2013 E (billion yen)	2014 E (billion yen)	Change (%)
Net sales	1,504.5	1,605.5	+6.7%	1,193.5	1,286.5	+7.8%
Operating income	99.0	99.5	+0.5%	59.0	62.0	+5.1%
Ordinary income	100.0	100.0	±0.0%	65.0	67.5	+3.8%
Net income	35.5	65.5	---	21.0	48.5	---

ROA	2.2%	3.8%	---	1.7%	3.7%	---
ROE	4.6%	8.2%	---	3.6%	8.1%	---

Assumptions : Crude oil price (All Japan CIF price): US\$110/bbl, Exchange rate: ¥105/US\$

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

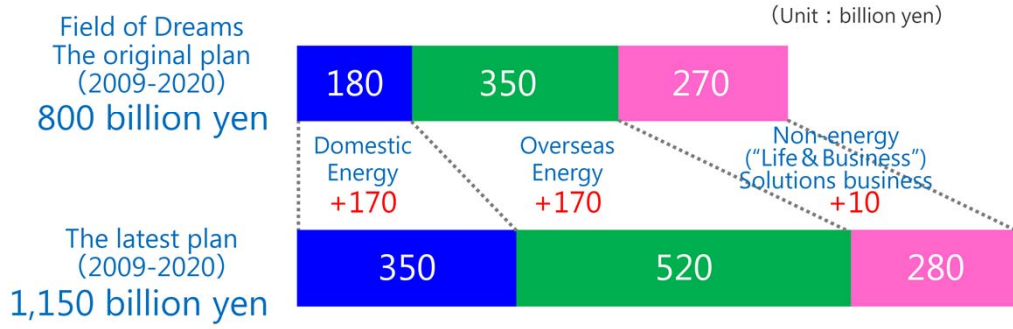
\$1/bbl change in crude oil prices	±1.2 billion yen	¥1 fluctuation in the US\$/JPY exchange rate	±1.4 billion yen
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Disclaimer

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.

Investments for expansion, greenfield and M&A (2009-2020)



Revenues and Total assets

(Unit: billion yen)	2013 E	The latest plan		Field of Dreams 2020 The original plan
		2016	2020	2020
Consolidated revenues	1,504.5	1,690.0	2,090.0	2,000.0
Consolidated total assets	1,627.7	1,930.0	2,180.0	2,100.0

Assumptions (The latest plan) : Crude oil price (All Japan CIF price): US\$110/bbl, Exchange rate: ¥105/US\$
 Assumptions (The original plan) : Crude oil price (All Japan CIF price): US\$100/bbl, Exchange rate: ¥100/US\$