

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



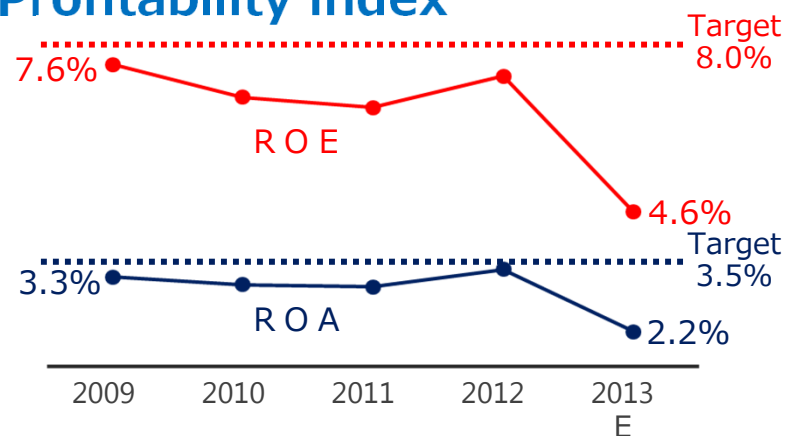
March 2014
Osaka Gas Co., Ltd.

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

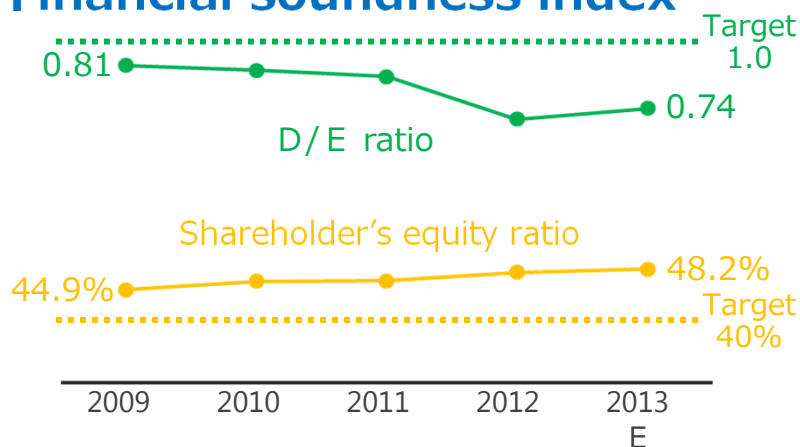
Field of Dreams 2020

Review of 1st phase (2009-2013)

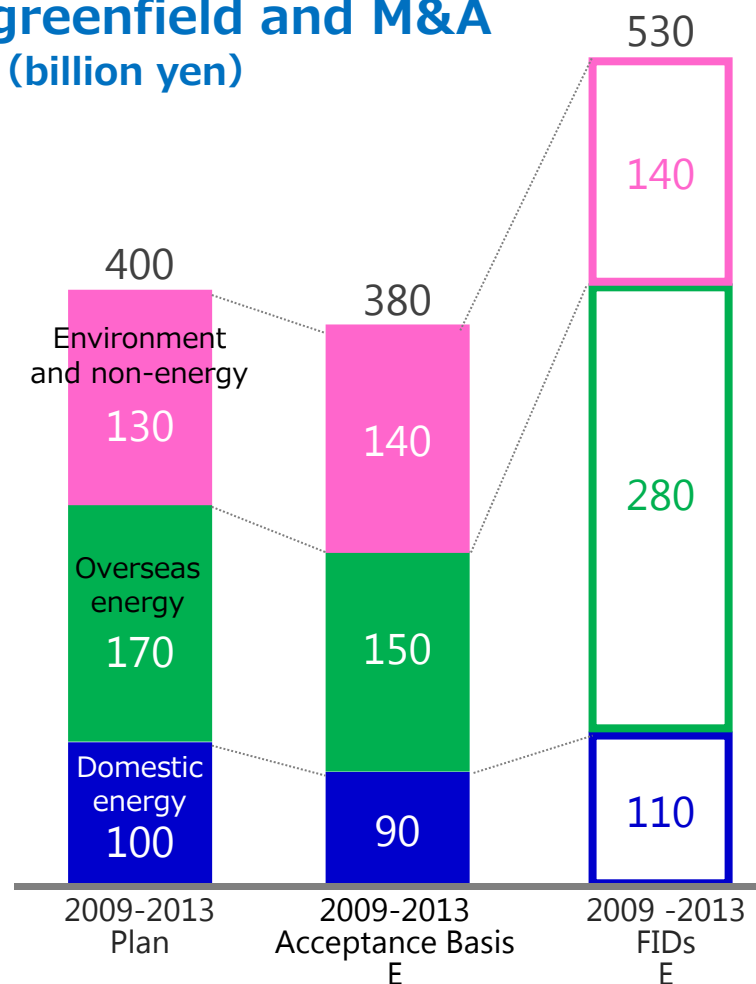
Profitability index



Financial soundness index



Investments for expansion, greenfield and M&A (billion yen)



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).



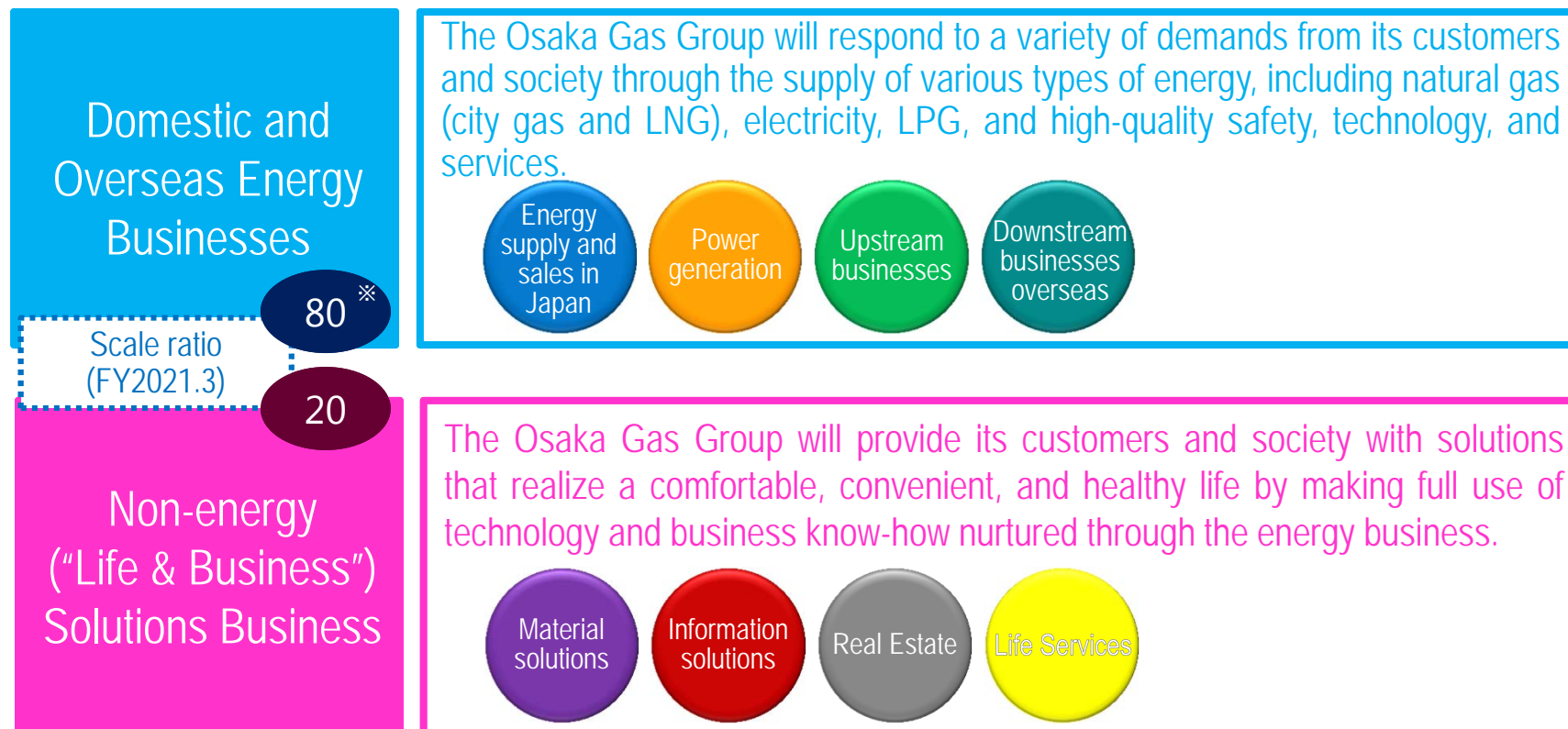
Increased holding of blue-chip properties in real estate business.

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

Participation in water supply business in the U.K.

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

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.

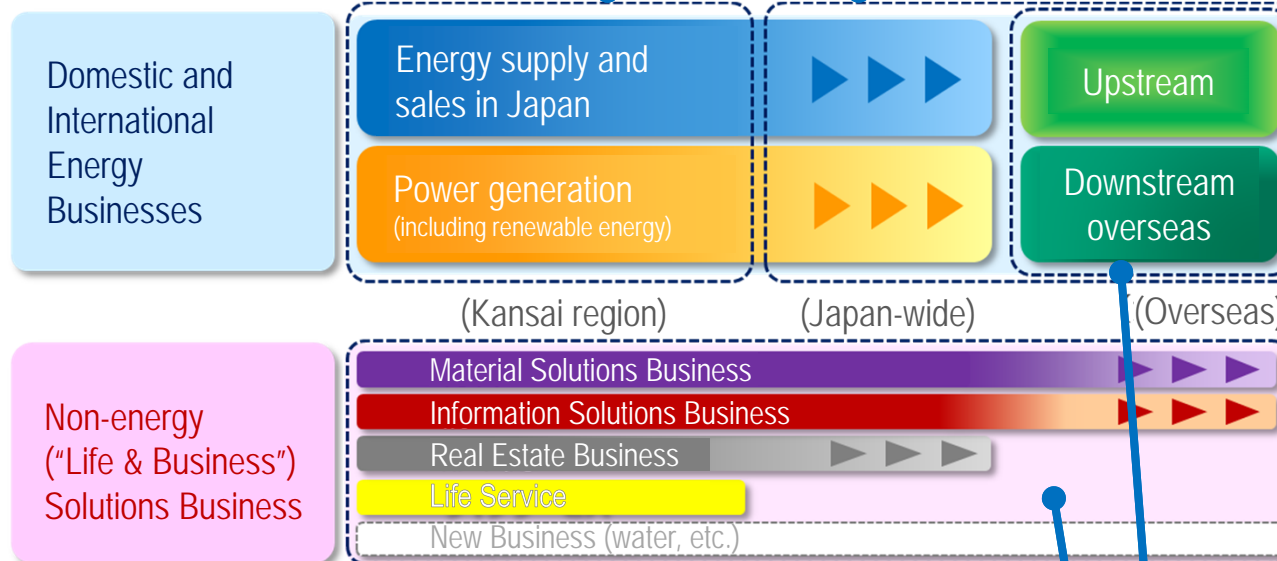
Striving to have projects the Group engages in contribute to earnings growth.

Venturing into new fields.

Priority Themes in “Catalyze Our Dreams”

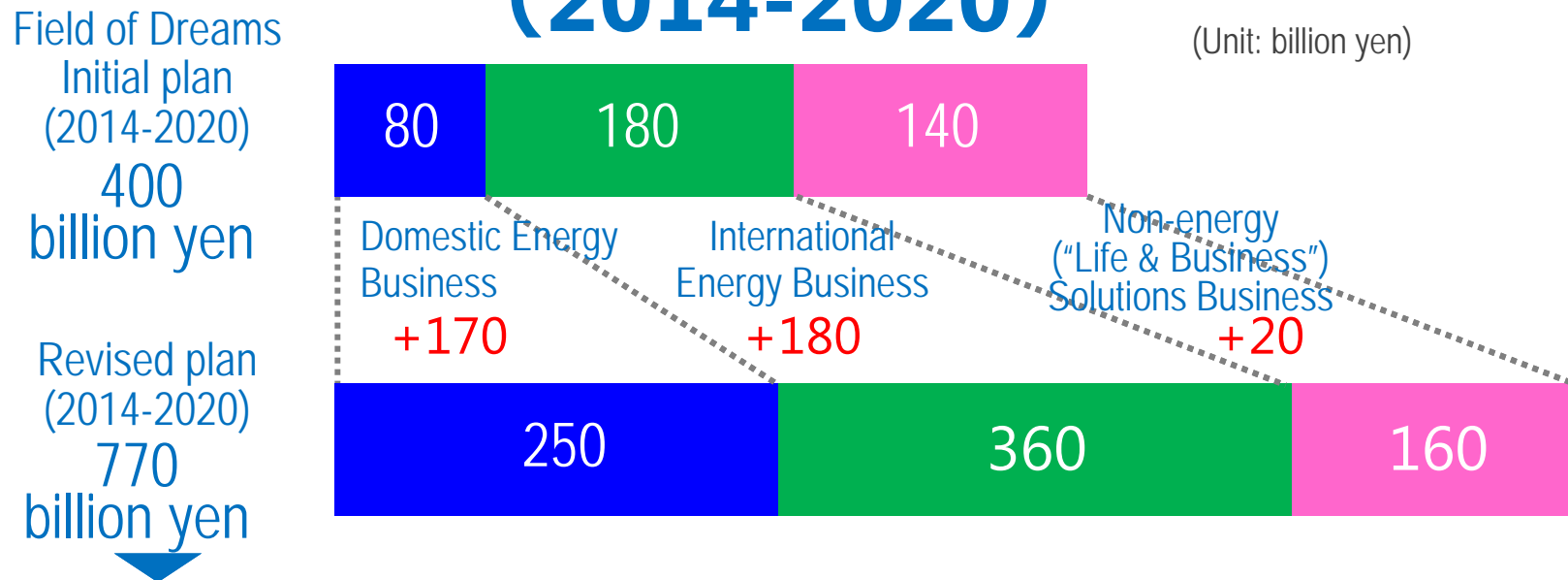
(1) Strengthening the energy business in the Kansai region

(2) Expanding the area of the energy business



(3) Creating the next core businesses

Investments for expansion, greenfield and M&A (2014-2020)



The Group **increased** investment by **370 billion yen** compared to the initial plan of Field of Dreams 2020 and **revised the long-term management targets**.

(Major management indicators)		New targets	Field of Dreams 2020 Initial targets
Profitability indicator	ROA (2020)	4.5%	4.0%
Financial soundness indicator	D/E ratio	Approx. 0.7	Approx. 1.0
Return to shareholders	Consolidated payout ratio	30% or higher	30% or higher

[Reference] Assumed asset size (2020): Approx. 2.2 trillion yen

[Reference] Investments for upgrading existing businesses (2014-2020) 360 billion yen

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

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

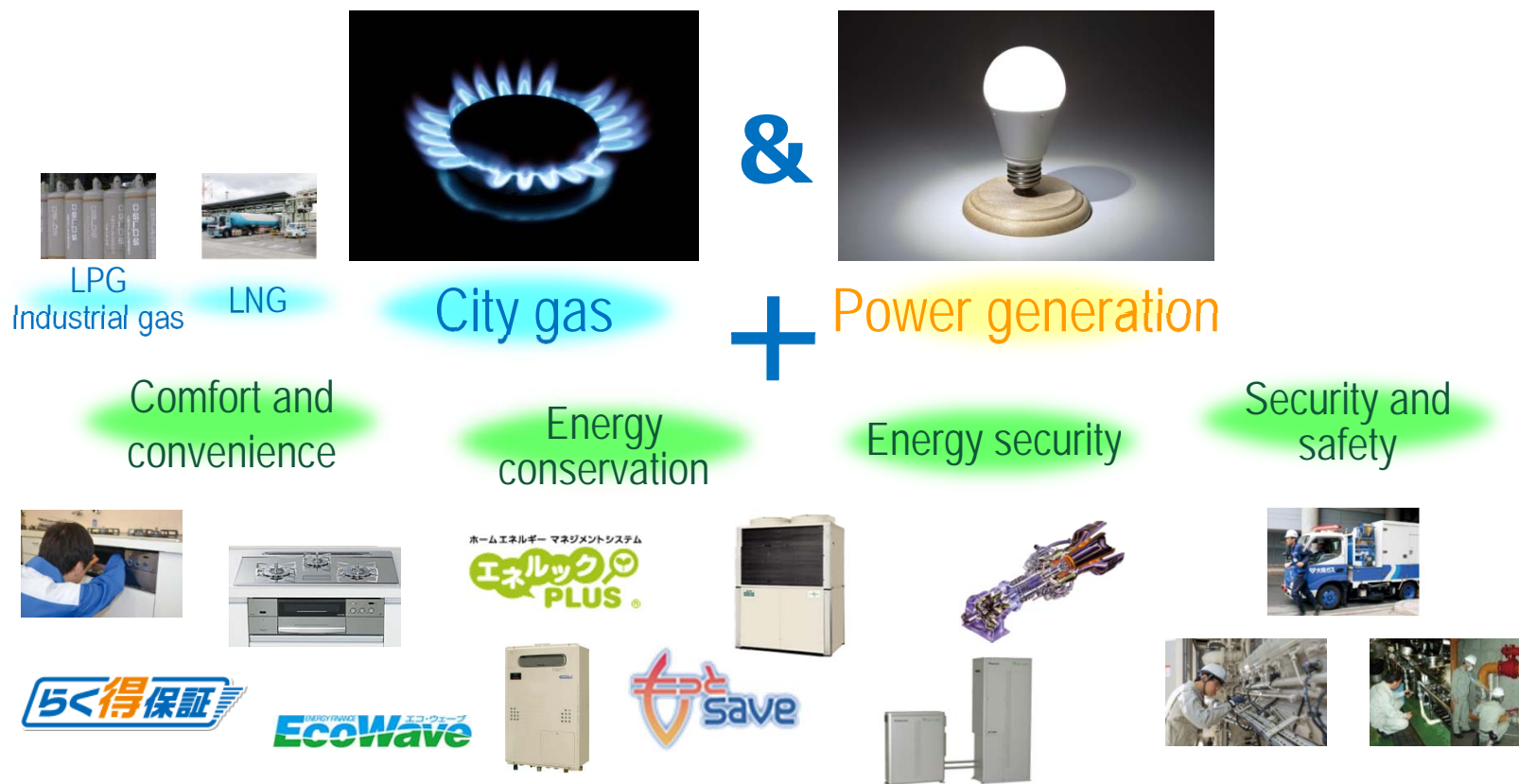
Freeport liquefaction project in U.S.
Cooperating closely with project partners to ensure the first shipment in 2018



Photograph courtesy of Freeport LNG Development L.P.

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

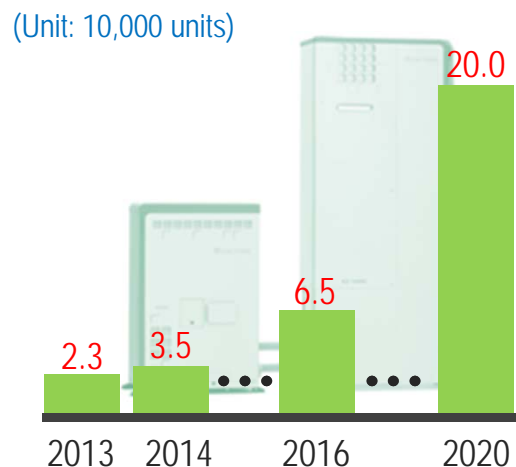
Responding to various types of customer demands by offering
combined services of gas & power supply and energy solutions



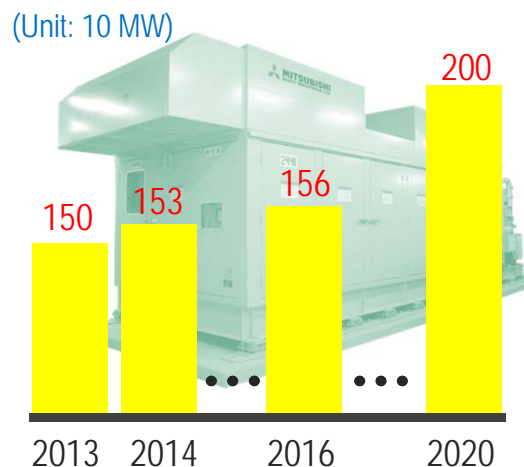
Promotion of distributed energy system installation to increase natural gas consumption

2020

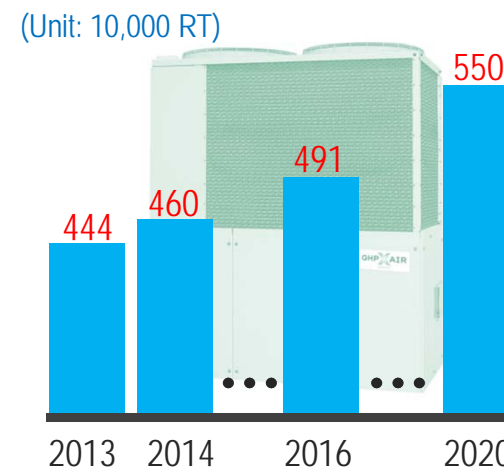
(Cumulative sales)
ENE-FARM
200,000 units



(Cumulative generation capacity)
Cogeneration systems
2,000 MW



(Cumulative shipment base)
Gas heating and cooling system
5,500,000 RT

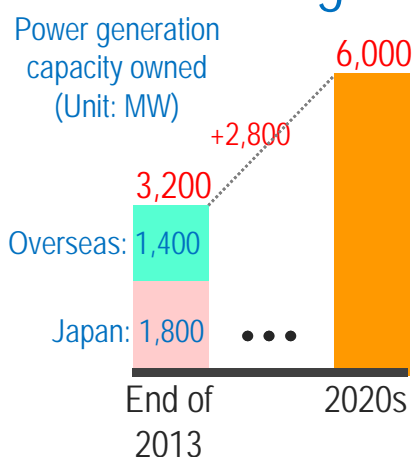


Developing technology to achieve higher efficiency, downsizing and lower prices to help improve customers' energy conservation, achieve energy security, and meet electricity demand.

Nationwide development of power generation business

Developing power generation sources nationwide to expand generation capacity owned in Japan and abroad to

6,000 MW in 2020s.



Nationwide power business

Target power generation sources: LNG thermal, coal thermal, and renewable energy.

- Power generation capacity owned (thermal power)
- Power generation capacity owned (renewable power)

New power generation project

Nakayama Nagoya Joint Power Generation
 Additional Coal thermal power plant
 (100 MW class)
 started operating since FY2016 (scheduled)



Expansion of energy business going beyond Kansai region

Providing energy solutions along with LNG/LPG supply to meet demands of customers in other areas in cooperation with the regional utilities

● LNG wholesale business customers

Okayama Gas (supply underway)

Shikoku Gas (supply underway)

Shizuoka Gas (supply to commence in FY2014)

Nihon Gas (supply underway)

Okinawa Electric Power Company (supply underway)

Cultivating demand along the Himeji-Okayama Line.

Expansion of overseas downstream business

Expanding energy businesses in Southeast Asia

Examining opportunities to expand business fields in addition to natural gas sales and energy business

(Activity areas) Singapore, Thailand, etc.

● Major business bases and participation in projects

● Major activity areas



Joint project with City Gas Pte Ltd. in Singapore



Sales activities in Singapore



Tenaska Gateway IPP



Aurora Solar Project

Examining opportunities to participate in projects around the world, mainly North America.

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

Strengthening production and supply bases

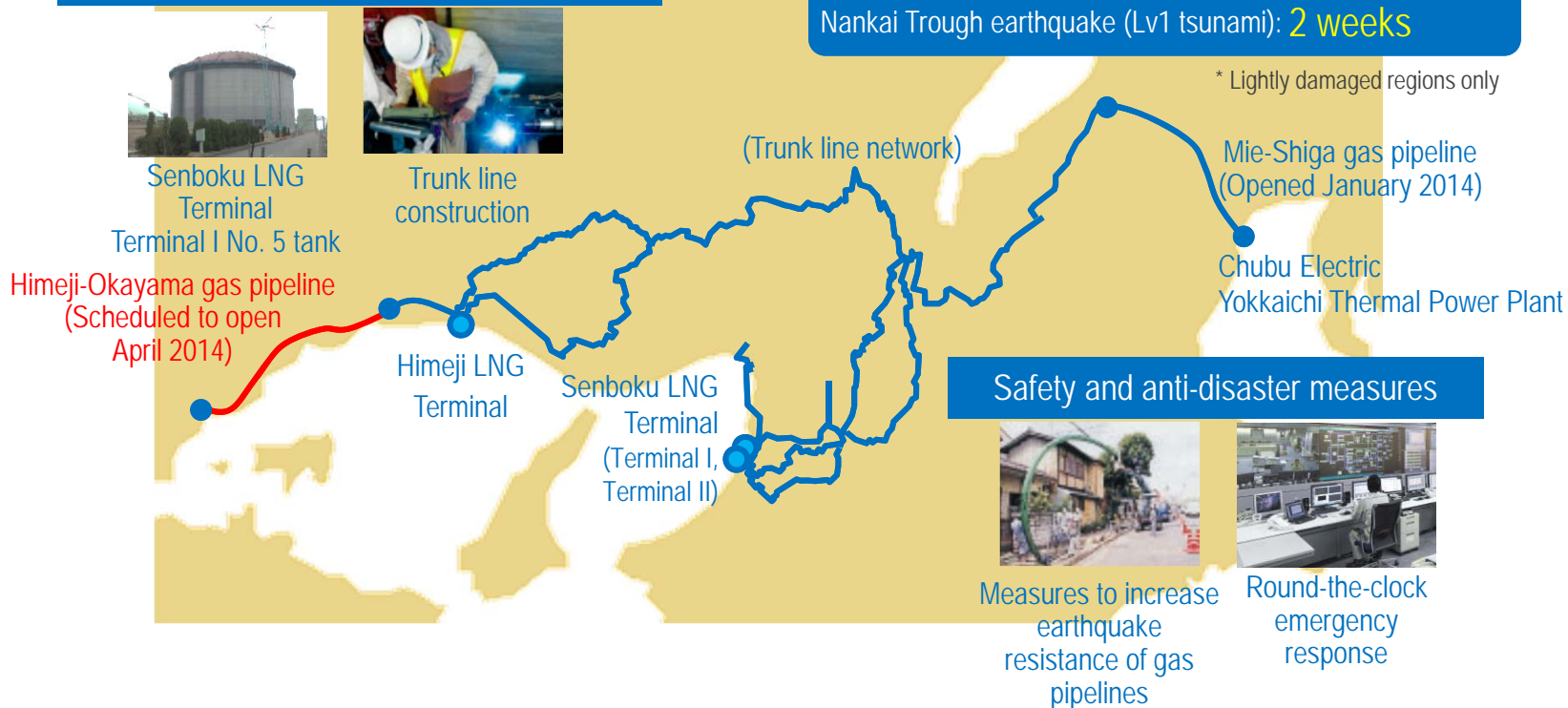
Expanding production and supply capacity and promoting operation and maintenance with the next generation in mind.

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

Strengthening production and supply bases.

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



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



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



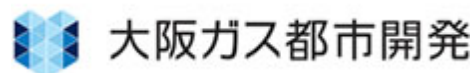
Sharing distribution and sales systems to improve efficiency.



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



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



Real estate business

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



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

Life services business

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

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



Power generation engineering

Photograph courtesy of Freeport LNG Development L.P.

Enhancement of added value through data analysis



Using accumulated data to predict equipment failures and improve services.

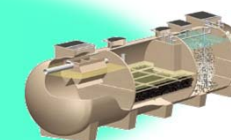
Development of technologies in the environmental field.



Hydrogen generator (HYSERVE)
Reduced prices and improved efficiency



Biomass resources



Equipment to generate biogas from garbage

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

(unit : billion yen)

		The latest plan		Field of Dreams 2020 The original plan
		2014-2016	2009-2020	2009-2020
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

	2013 E	2014	2015	2016	2020
(Unit : billion m3)					
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

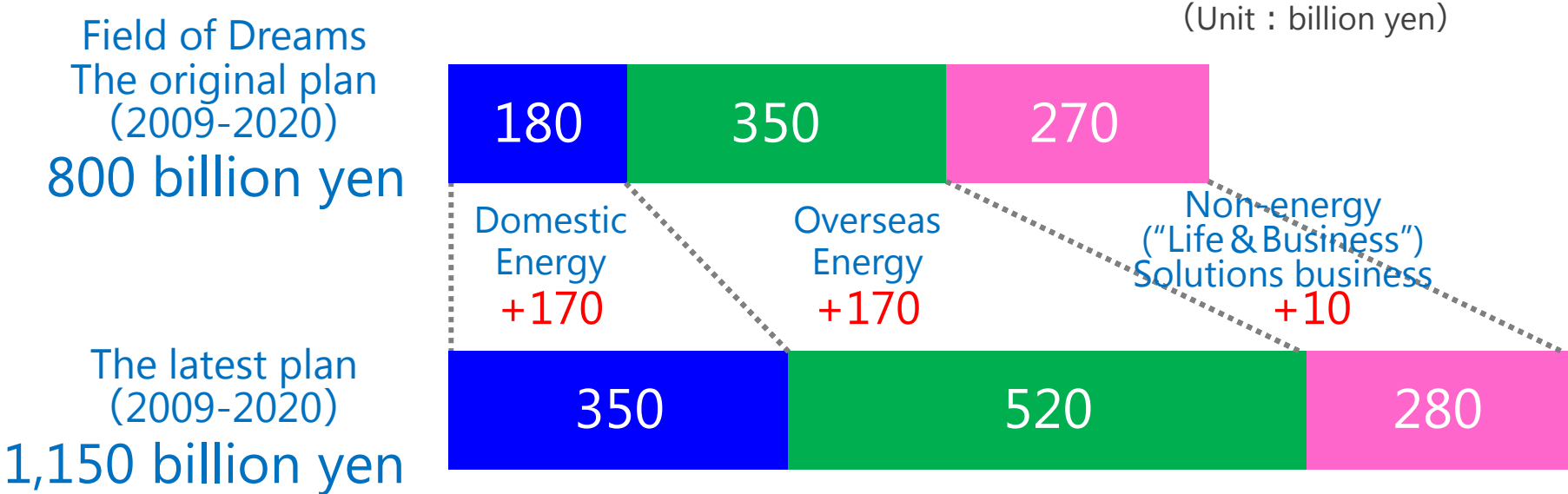
\$1/bbl change in crude oil prices	±1.2 billion yen	¥1 fluctuation in the US\$/JPY exchange rate	±1.4 billion yen
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Disclaimer

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)	The latest plan			Field of Dreams 2020 The original plan
	2013 _E	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\$