

# **Business Plan for FY2017.3 of Osaka Gas Group**

**March 10, 2016  
Osaka Gas Co., Ltd.**

# The environment surrounding Osaka Gas Group

The volatile business environment – Economy situations, and the oil price and exchange rate, or electricity and gas industry reforms.

**“Important year”** – We will continue our efforts to sustain and strengthen our growth in the competitive environment after fully deregulated market.

# Financial Forecast for FY2017.3

- Consolidated net sales are expected to be 1,170.5 billion yen. And ordinary income is expected to be 78.0 billion yen, down by 57.0 billion yen from the previous year.

	Consolidated			Non-Consolidated		
	FY2017.3 E (billion yen)	FY2016.3 E (billion yen)	Changes (%)	FY2017.3 E (billion yen)	FY2016.3 E (billion yen)	Changes
Net sales	1,170.5	1,339.0	-12.6	887.0	1,045.0	-15.1%
Operating income	85.5	145.5	-41.2	47.5	108.0	-56.0%
Ordinary income	78.0	135.0	-42.2	57.5	113.0	-49.1%
Net income	52.0	92.5	-43.8	45.0	81.5	-44.8%

Assumptions : Crude oil price (All Japan CIF price) : US\$40/bbl (Apr.-Sep. 2016), US\$45/bbl (Oct. 2016-Mar. 2017)  
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	-1.0 billion yen	+¥1 fluctuation in the US\$/JPY exchange rate	-0.6 billion yen
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# Management Indicators

- It's difficult to expect to achieve our FY2017.3 target planed in Mid-term plan "Catalyze Our Dreams". Those are caused by decrease in profit from electricity business or upstream business due to oil price decline, or decrease in gas sales volume.
- Going forward to FY2021.3, we strive for sustainable growth.

		Consolidated			
		FY2017.3 E	FY2016.3 E	Catalyze Our Dreams Target	
				FY2017.3	FY2021.3
Profitability	ROA	2.8%	5.0%	3.5%	4.5%
	ROE	5.4%	10.1%	8.0%	9.0%
Financial Soundness	D/E ratio	0.59	0.65	Approx. 0.7	
	Net worth ratio	51.5%	50.6%	50%	

# Gas / Electricity Sales Volume

- Consolidated gas sales volume is expected to be 8.48 billion m<sup>3</sup>, up by 4.9% from the previous year, due to developing new demands in commercial, public, medical and industrial use.
- As for electricity retail business which will be fully liberalized in April 2016, we aim to contract with 200 thousand customers in first year 2016.

(Unit : billion m <sup>3</sup> )		FY2017.3 E	FY2016.3 E*	Changes
Consolidated Gas Sales Volume		8.48	8.08 (▲0.03)	+4.9%
	Residential (non-consolidated)	2.13	2.11 (▲0.02)	+0.9%
	Commercial, Public, Medical (non-consolidated)	1.46	1.42 (+0.01)	+3.1%
	Industrial (non-consolidated)	4.37	4.05 (▲0.02)	+7.9%
	Wholesale, etc.	0.52	0.50 (+0.00)	+3.5%
Number of Customers (non-consolidated / Unit : million household)		7.30	7.25 (±0.00)	+0.7%
Domestic Electricity Sales Volume (Unit : billion kWh)		7.55	8.68 (±0.00)	-13.0%
Electricity Retail Business Customers (Residential / Unit : thousand household)		200	---	---

\* Figures in parentheses are difference between modified forecast and previous one.

# Investment Plan

- Investment for expansion, greenfield, and M&A is expected to be 150.0 billion yen. Mainly for electricity and international energy businesses.
- Capital expenditure (mainly for production and distribution facilities) is expected to be 109.5 billion yen, out of total investments.

(Unit : billion yen)

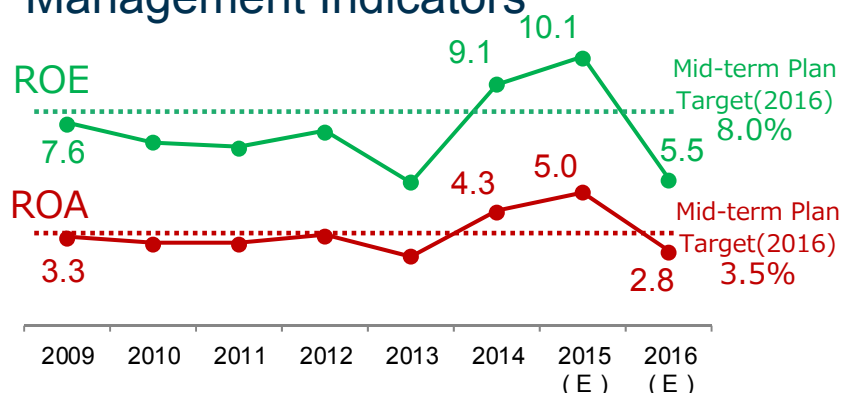
		FY2017.3 E	FY2016.3 E	Changes
Investments for upgrading existing businesses		51.5	51.8	-0.7%
Investments for expansion, greenfield and M&A		150.0	97.5	+53.8%
Energy businesses	Domestic	32.5	17.3	+87.6%
	International	75.5	54.3	+38.9%
Life & Business solutions (non-energy) business		42.0	25.8	+62.5%
Total Investments		201.5	149.3	+34.9%
(Included) Capital Expenditure		109.5	115.2	-4.9%

# Reference-1 Comparison to Mid-term Plan (2016)

## Premise

	Crude Oil Price (JCC) <Unit : US\$/bbl>			Exchange Rate <Unit : ¥/US\$>		
	Business Plan	Mid-term Plan	Changes	Business Plan	Mid-term Plan	Changes
Premise	Apr-Sep: 40 Oct-Mar: 45	110	Apr-Sep: -70 Oct-Mar: -65	120	105	+15

## Management Indicators

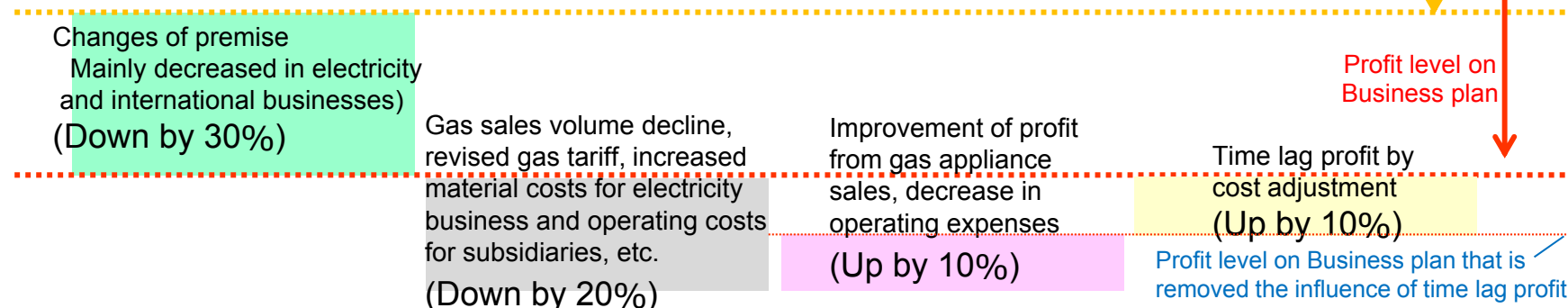


## Forecasts of each plan (2016) Unit : billion yen

	Total assets	ROA	Ordinary income	Net income
Business Plan	—	2.8%	78.0	52.0
Mid-term Plan	1,930.0	3.5%	—	—

## Main Reason on the profit level differences

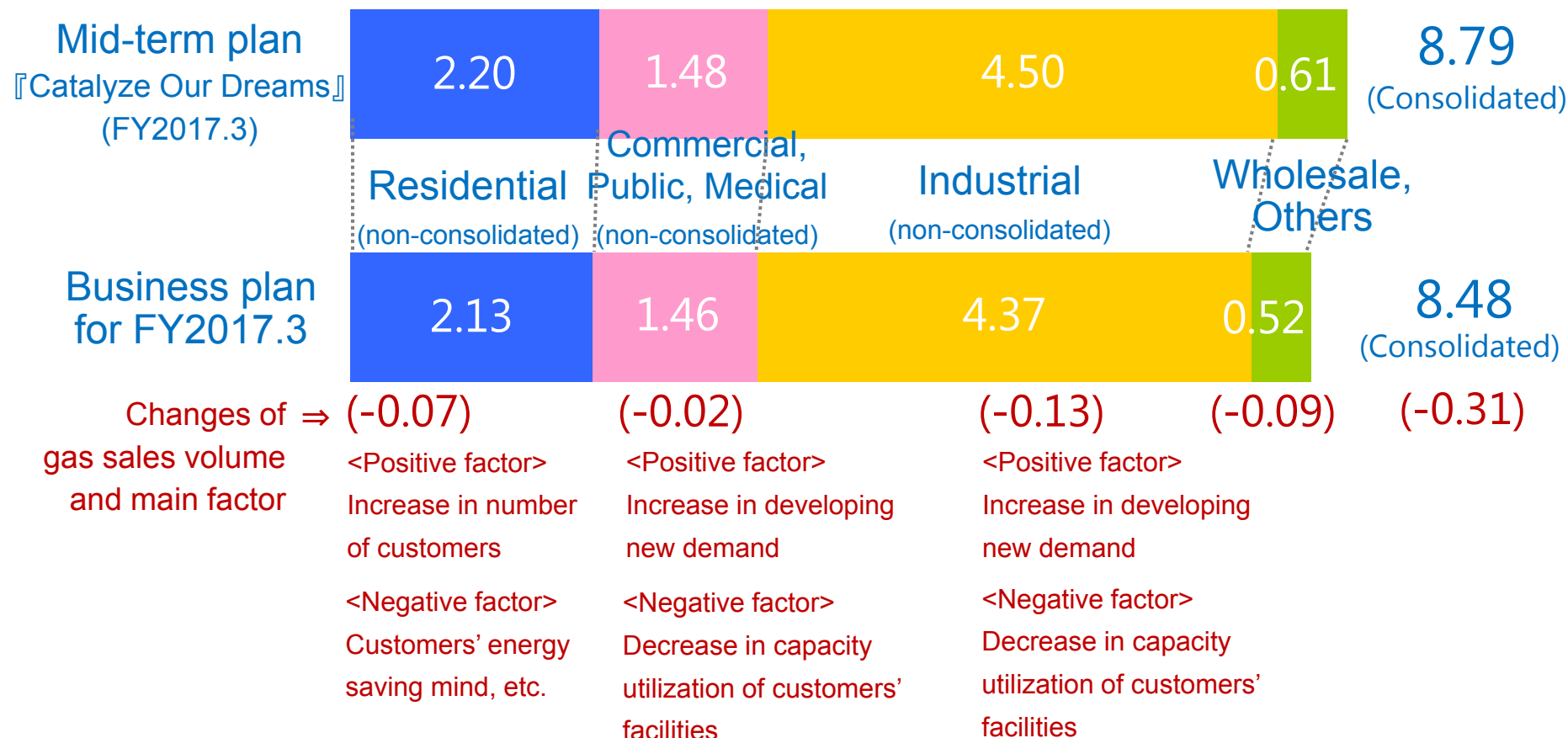
Figures in parentheses are changes ratio compared with the profit level planned in mid-term plan.



## Reference-2 Comparison to Mid-term Plan (2016)

### Gas sales volume (Consolidated)

(Unit : billion m<sup>3</sup>)



### Domestic electricity sales volume (Consolidated)

	Business plan	Mid-term plan	Changes	Main factor
Sales volume (Unit : billion kWh)	7.55	7.89	-0.34	Decrease in sales volume for JEPX due to decline crude oil price



# Gas Supply Plan-1 Demand

(non-consolidated)

	FY2016.3 E	FY2017.3 E	FY2018.3	FY2019.3	FY2020.3	FY2021.3	Changes
Gas Sales Volume <non-consolidated / Unit : million m <sup>3</sup> >	8,049 (8,090)*	8,447 (8,495)*	8,330 (8,484)*	8,414 (8,568)*	8,464 (8,618)*	8,470 (8,624)*	+1.0% (+1.3%)*
Residential	2,108	2,127	2,069	2,045	2,024	1,984	-1.2%
Commercial, Public, Medical	1,421	1,464	1,459	1,462	1,477	1,478	+0.7%
Industrial	4,053	4,373	4,320	4,375	4,426	4,473	+2.0%
Wholesale	466	483	482	532	537	534	+2.8%
Gas Sales per Household <m <sup>3</sup> /month>	29.7	29.7	28.9	28.7	28.4	27.9	-1.2%
Installation of New Meters <Unit : thousand>	108	109	106	96	95	91	-3.4%
Number of Meters Installed <Unit: thousand>	7,248	7,298	7,347	7,391	7,435	7,477	+0.6%

\*adding back gas sales volume decreased due to the expiry of PPA of IPP  
and change of classification of gas used from gas sales to self-use

# Gas Supply Plan-2 Capital Expenditure

(non-consolidated)

	FY2016.3 E	FY2017.3 E	FY2018.3	FY2019.3	FY2020.3	FY2021.3	Total (from FY2017.3)
Capital Expenditure (Unit : billion yen)	54.0	51.5	45.0	44.0	42.1	43.3	226.1
Production Facilities	13.6	7.0	5.2	5.7	4.5	6.2	28.8
Distribution Facilities	35.1	35.6	36.2	35.7	35.1	34.9	177.7
Operational Facilities	4.2	8.6	3.1	2.0	2.2	1.9	18.1
Incidental Business	1.1	0.2	0.3	0.5	0.2	0.1	1.4

# Marketing Gas and Power

- Gearing up for full deregulation of electricity and gas retail markets
- Providing one-stop-shop service offering a wide variety of services in combination with gas and electricity for more comfortable lives of customers

- One-stop-shop service for gas and electricity
- A wide variety of services to meet customers' needs

Number of customers

**7.3 million**



Target of residential power customers for FY2016

Powered by Osaka Gas

**200,000**

Household customers	Commercial customers
<p>Osaka Gas <b>NEW!</b></p> <p>Service Lineup for residential customers</p> <p>“住まいの味方”として、ライフスタイルにあった“住み方”を提供。</p> <p><b>Renovation service</b> offering renovation plans for energy conservation</p> <p><b>Safety service</b> offering a package of services including disaster prevention, home security and extended warranty for house appliances</p> <p><b>Maintenance service</b> offering services such as gas appliance maintenance, plumbing, house cleaning, etc.</p> <p><b>らく得保証</b> Gas appliance warranty</p> <p><b>るるるコールM</b> Auto-reporting of gas alliance left on and remote-shut down</p> <p>Membership web site <b>マイ大阪ガス</b> Energy consumption data, etc.</p> <p><b>らく得リース</b> Gas appliance Lease</p>	<p><b>NEW!</b></p> <p><b>HelloOG!</b> Energy consumption data, etc.</p> <p><b>NEW!</b> <b>e-kul</b> Real time energy data measuring</p> <p><b>NEW!</b> <b>イイ!Gパック easy pack</b> Leasing, inspecting, repairing, and remote-controlling gas chiller/heaters</p>

# Marketing Gas and Power

- Promoting decentralized energy systems to achieve 3E+S\* of energy
- Launching power retail business with excess power purchased from our customers, which is generated by Ene-Farm type S (high-efficiency small-sized co-generation system)

\*3E+S: Energy security, Economic growth, Environmental conservation and Safety

## ● Ene-Farm



Sales Target for FY2016

**15,000 units**

## ● Co-generation



Contract Target for FY2016

**45,000 kW**

## ● Gas Air Conditioner

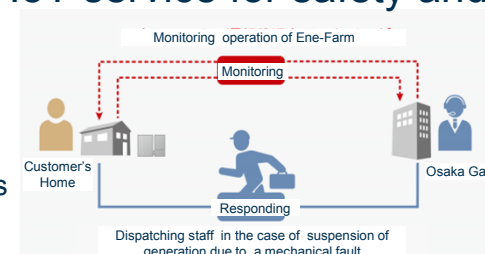


Contract Target for FY2016

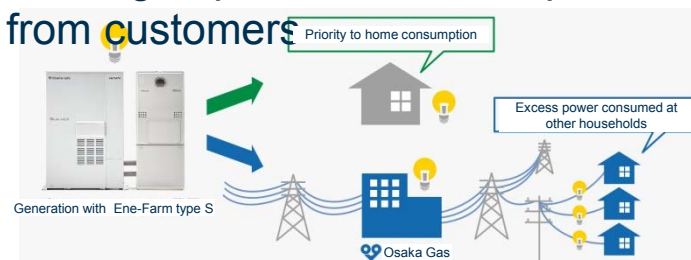
**60,000 kW**

## ● Launching IoT service for safety and comfort

Releasing an app for remote monitoring and control services



## ● Starting to purchase excess power from customers

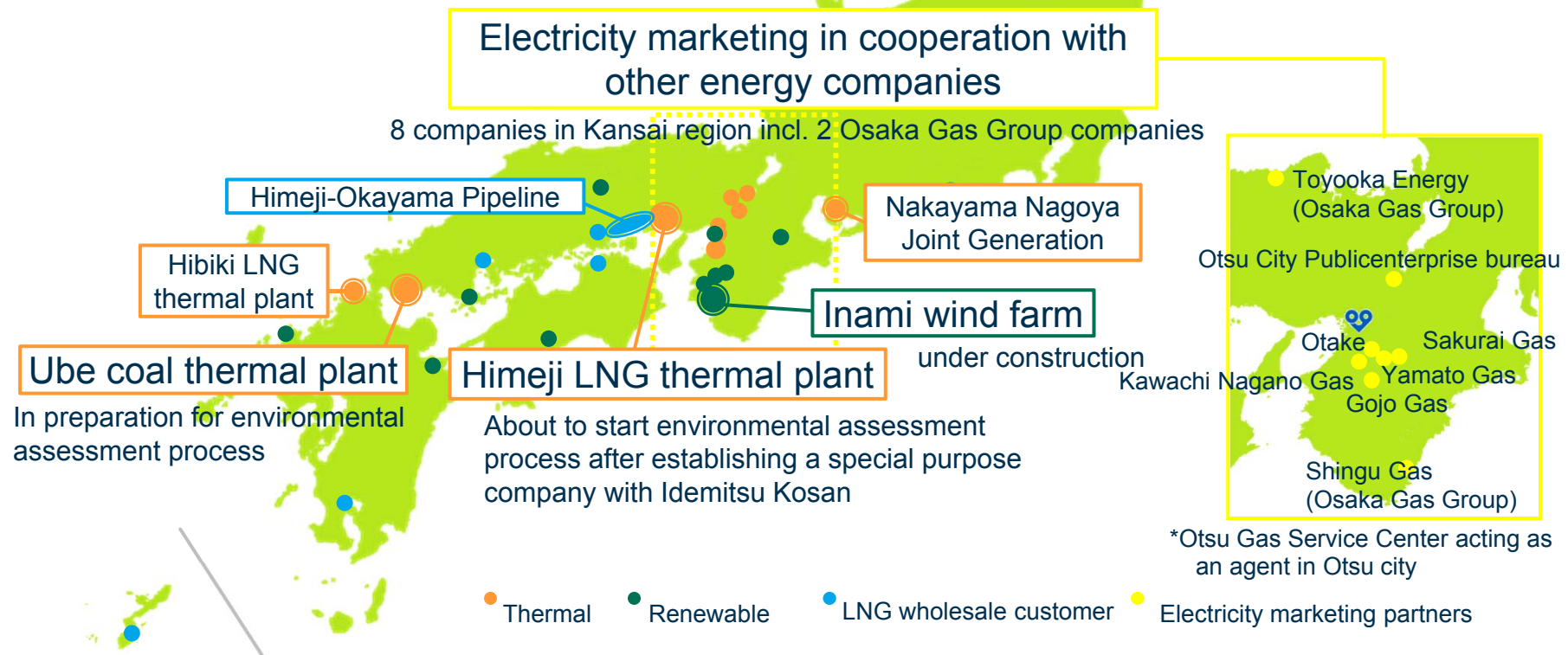


Buying excess electricity generated at customers'

\*excluding hybrid generation customers

## Power Generation and Broad-Area Energy Business

- ▶ Building up a generation portfolio that is highly efficient and competitive consisting of LNG thermal, coal thermal, renewables, etc.
- ▶ Expanding LNG trading both domestically and globally and electricity marketing jointly with other energy companies



## Natural Gas Procurement and Upstream Business

- Diversifying procurement sources and contracted price indices and participating in natural gas liquefaction and development projects for stable and economical gas procurement
- Accelerating the development progress of participating projects such as Freeport (US), Gorgon and Ichthys (Australia) while searching for new opportunities in other projects

- Accelerating terminal construction and securing feed gas procurement for Freeport liquefaction project



Freeport liquefaction project under construction slated to start operation in FY2018

- Continuing active involvement for full operation of Gorgon project



Gorgon LNG project just before its first shipment



# Stable Supply of Natural Gas

- Gearing up for the upcoming full deregulation of the gas retail market by reorganizing business flows and reinforcing IT systems
- Furthering the study of constructing new trunk lines including Himeji East-West Pipeline and Amagasaki-Seishin Pipeline for higher stability of gas supply and new demand creation along those pipelines
- Shoring up the disaster response capability for earthquakes, tsunami, etc., by repairing aged infrastructure and facilities and conducting general disaster prevention drills

- Preparing for construction of Amagasaki-Seishin Pipeline, etc., which will contribute to reinforcing the trunk line network  
(Trunk line network of Osaka Gas)



- General disaster prevention drill to raise disaster response capability and business continuity level

General disaster prevention drill held last year



# Overseas Downstream Business

- Exploring opportunities to enter into a wide range of energy projects such as power generation, energy services, gas sales, LNG terminals, etc.
- Acquiring operational know-how of energy projects that we take part in for further expansion of businesses of Osaka Gas Group

## Southeast Asia

Exploring opportunities to enter into a wide range of business areas of our expertise such as gas sales, energy services, power generation and LNG terminals while extending business activities to new markets

Expanding gas supply business in Italy



Energy service company established jointly with PTT in Thailand



IPP in St. Charles under construction slated to start operation in FY2016

## North America

Accumulating operational know-how of merchant IPP business through St. Charles IPP project we joined in 2015



# Life & Business Solution (Non-energy)

- ▶ Building up a robust business portfolio consisting of business areas of Osaka Gas Group's expertise for higher risk tolerance

- IT Solution: expanding system development business for customers in energy, finance and manufacturing segments



Meter reading Cloud data management service provided by OGIS-RI Co., Ltd.

- Real Estate Business: Providing high quality residences



Condominium in Kyoto provided by OSAKA GAS URBAN DEVELOPMENT Co., Ltd.

- Material Solution: Focusing on product development and wider product application for business diversification



A wide range of solutions out of synergy between activated carbon of Osaka Gas Chemicals Co., Ltd. And inorganic adsorbent of MIZUSAWA INDUSTRIAL CHEMICALS Ltd.

Osaka Gas Chemicals' adsorbent and separating materials are used for food decolorization, impurity removal, etc.

- Technological Development: developing of next generation materials



Promising next generation material, Fluorene cellulose®

# Diversity Promotion

- Establishing work environment where diverse talents can be fully exercised for a greater competitive edge of Osaka Gas Group in a volatile business environment full of uncertainties
- In particular, providing career-building system and flexible and efficient work system
  - Supporting female employees' career building with seminars for return to work from maternity leave, mentor system with managers
  - Establishing flexible work system that supports employees' child-rearing, caregiving, etc. while pursuing their careers



# CSR Activities

- Raising CSR and compliance standards for the entire Osaka Gas Group both inside and outside Japan to remain the company of choice for all the stakeholders and to continue contributing to building a sustainable society
- Contributing to value creation of communities in cooperation with stakeholders in areas where Osaka Gas Group runs business
  - Promoting an eco-friendly activity called “Green Gas Building Promotion” to introduce energy saving features to buildings owned by Osaka Gas Group at times of renovation and upgrading
  - Contributing to community development in terms of safety, food, sports, etc., which are the areas of expertise of Osaka Gas Group



Smart Energy Building, Northern Gas Building featuring Smart Energy Building functions such as reduction of CO2 emission



Heath-awareness community activity by NOBY T&F Club

# Thank you !

**Disclaimer**

Certain statements contained herein are forward-looking statements, strategies, and plans, which reflect our judgment based on the information so far available.

Actual results may differ materially from those discussed in such statements. Among the factors that could cause actual results to differ materially are: economic trends in Japan, sharp fluctuations in exchange rates and crude oil prices, and extraordinary weather conditions.