



Osaka Gas Group is now Daigas Group

Business Plan for FY2019.3 of Daigas Group

March 2018

Osaka Gas Co., Ltd.



Environment Surrounding the Company and Direction of Business

Activities to Reach Targets Set for FY2031.3

Taking advantage of the dramatic changes in the business environment, as seen in the full liberalization of energy retail markets in Japan, and achieving three ways of “going beyond,” we are aiming to become **an innovative energy & service company** that continues to be the first choice of customers.

**Go beyond
customer expectations**

**Go beyond
business boundaries**

**Go beyond
corporate boundaries**

**Becoming an innovative energy & service company that continues to be
the first choice of customers**

**By strengthening each of nine sub-sectors under the three pillars, the Group will
establish a solid portfolio that can respond to various environmental changes in order
to reach the targets set for fiscal 2031.3.**

Develop energy marketer business of a new era

1

**Gas manufacturing
and sales***

* Including sales of equipment, services, LNG, etc.

2

Gas distribution

3

**Electric power
generation and sales**

Accelerate the development of international energy business

4

**International upstream
and trading**

5

**International middle
and downstream**

9

New business fields and others

Expand LBS business and developing new business fields

6

Real Estate

7

Materials

8

IT

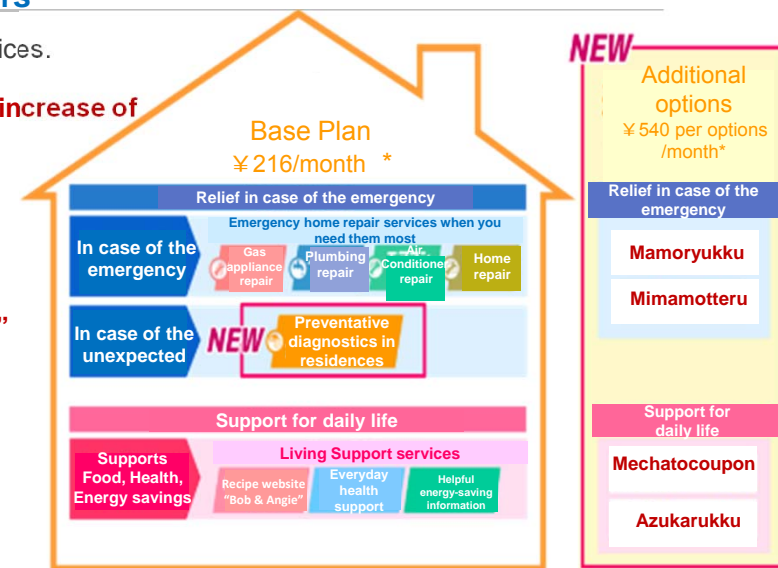
Development of Energy Marketer Business of a New Era

By continuing to offer services that go beyond customer expectations, we are aiming to be the energy provider always chosen by customers for natural gas, LPG, electric power, etc. and other peripheral services of energy.

Achieve 8.9 Million Customer Accounts by Providing Comprehensive Energy Supply and Services

Enhancement of Solutions Business for Residential Customers

- Increase customer accounts through **sales of electric power** and other services.
- Achieve a **total sales volume of 100,000 units** of ENE FARM products (an increase of **over 20,000 products in FY2019.3**).
→ Greater efficiency (53.5% (up 1.5%)) through model changes
- Enhance the lineup of “Sumikata Plus” services.
→ Four new services: **“Mamoryukku,” “Mimamotteru,” “Mechatocoupon,” and “Azukarukku.”**
- Enable voice operation of gas equipment as well as inquiries into gas and electricity charges and usage through AI speakers.
- Expand business leveraging synergy with the ENEARC Group



Enhancement of Solutions Business for Commercial and Industrial Customers

- **Expand the range of peripheral services provided**, as well as supplying gas and electric power
→ Expand ESP commodities (water treatment, energy management such as energy savings, **plumbing works and plant IoT, etc.**)
→ Offer a high-quality, one-stop service by expanding the scope of maintenance orders.
- Strengthen development broadly among domestic areas through alliances with various corporate partners

Building a Competitive Energy Infrastructure

We will acquire new facilities in order to build a competitive infrastructure as a gas and power company. As well, we will further accelerate the development and acquisition of renewable energy sources.

Direction for FY2019.3

- **Steadily promote environmental assessments for power supply in the planning stages, and make construction decisions** based on institutional design conditions **(in FY2019.3 & FY2020.3)**
- **Further accelerate the development and acquisition of renewable energy sources.**
(**Double** the target for FY2031.3 from 500MW to **1,000MW.**)

- Major thermal power sources owned at present
- Major renewable power sources owned at present

Himeji Natural Gas Power Generation

Studying the possibility of building of a new LNG-fired thermal power plant jointly with Idemitsu Kosan (environmental assessment in progress)

Fukushima Gas Power

Built a new LNG-fired thermal power plant jointly with Japan Petroleum Exploration, Mitsui & Co., Mitsubishi Gas Chemical Company, and Hokkaido Electric Power Company (1,180 MW)
April 2020: scheduled to start operation

Ogishima Natural Gas Supply

Built calorific value adjustment facilities to manufacture natural gas jointly with TEPCO Fuel & Power, Incorporated and JXTG Nippon Oil & Energy Corporation
April 2020: scheduled to start operation

Ichihara Biomass Power Generation

Built a biomass power plant (50MW) jointly with ITOCHU Corporation and Mitsui Engineering & Shipbuilding Co., Ltd.
October 2020: scheduled to start operation

Yamaguchi Ube Power

Studying the possibility of building of a new coal-fired thermal power plant jointly with Ube Industries and J-Power (environmental assessment in progress)

Inami Wind Power Generation

Constructed a wind power plant (26MW) jointly with Mitsui Engineering & Shipbuilding Co., Ltd.
June 2018: scheduled to start operation

* Presented only the sources released to the press

We will achieve the stable supply of gas and the dissemination and expansion of natural gas by reforming our attitudes, organization and methods to promote the creation of a robust business entity that is capable of anticipating change, and the establishment of an enduring brand power.

1. Creation of a robust business entity that is capable of anticipating change

- Consider our stance as a gas pipeline network operator (organizational design, business flow, system response, etc.)
- Implement measures to strengthen our structure to secure construction teams in accordance with the volume of construction.
- **Promote initiatives that contribute to improved efficiency, and reduce material, equipment and labor procurement costs.**
(1) Streamlined ordering methods (2) Generalized and standardized specifications and designs (3) Use of new materials and construction methods
- Secure earnings by **developing demand through shoring up (expanding sales) gas pipelines and promoting new business leveraging or expertise in the gas pipeline business.**
- Develop technology to ensure fail-safe operations and drastic improvements in construction and working environments
- Develop and utilize human resources with a wide perspective



Use of new construction methods
The insertion method whereby new PE pipes are inserted into old pipes

2. Establishment of an enduring brand power as a network operator

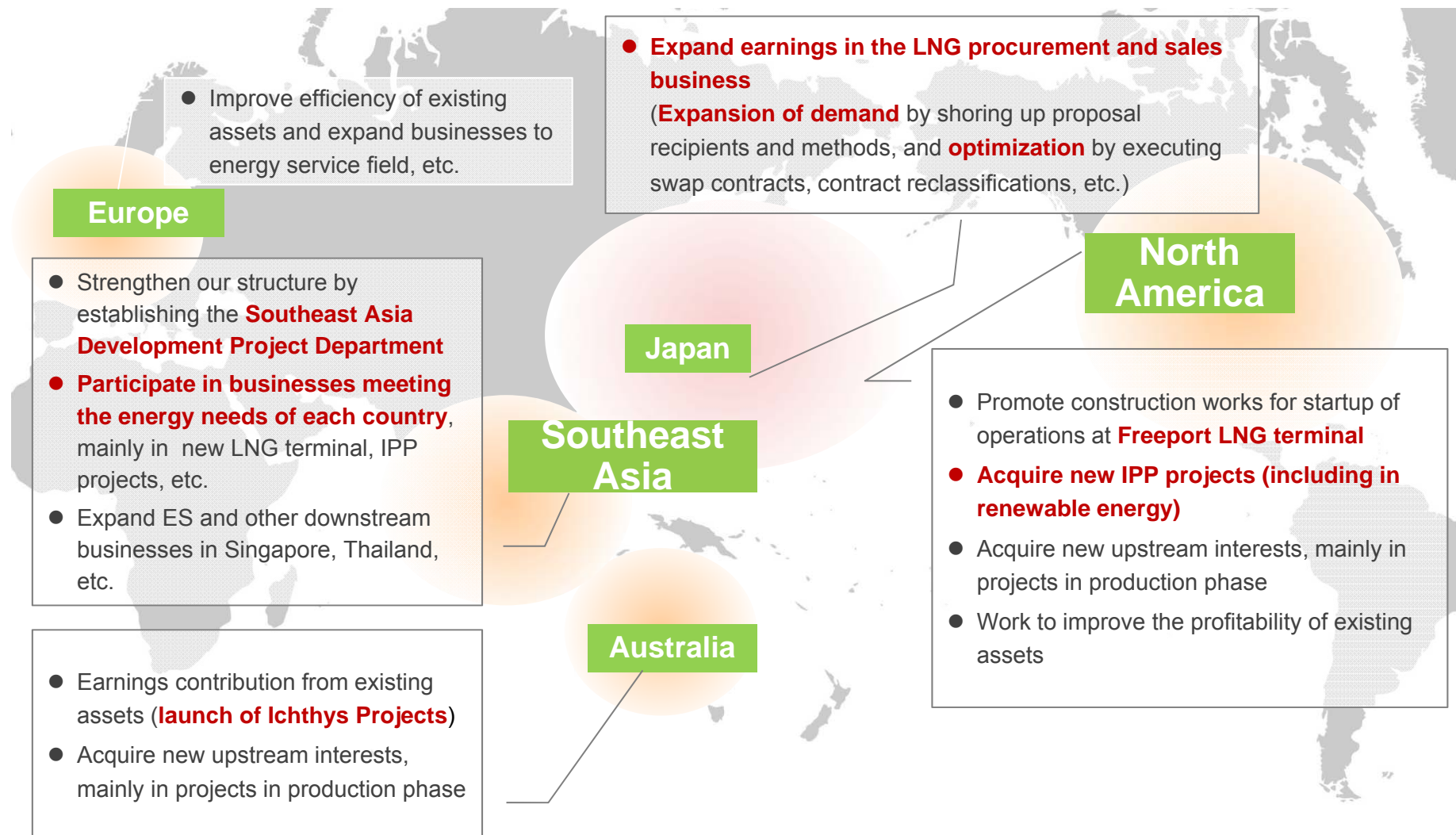
- **Continue to maintain security levels that assure our customers' safety by promoting countermeasures against ageing gas pipeline equipment and establishing mechanisms to cope with low-frequency events.**
- **Provide services that exceed expectations (including emergency security)** by strengthening initiatives and raising awareness to improve satisfaction in our customer contact operations.



General disaster prevention drill

Initiatives in the International Energy Business

Taking advantage of our LNG procurement and sales know-how and the strengths we have developed through our existing assets, we are adopting a medium- to long-term perspective to expand our business scale by promoting activities that capture the needs of communities and businesses.



Main Focuses of LBS Business and New Fields

We are promoting portfolio management to cope with future increase in uncertainty by continuing to strengthen the LBS business, which has a different risk profile from energy business, and developing new business pillars.

<p><Real Estate></p> 	<p>Leasing business: Strengthen our structure in the Tokyo metropolitan area, and accelerate leased housing investment and new office acquisitions.</p> <p>Real estate sales business: Plan the introduction of a new brand slogan and new brand name with the objective of improving our product value from a long-term perspective.</p> <p>Research park business: Steady promotion of new building development and consideration of expansion beyond the KRP area taking advantage of know-how in laboratory management.</p>
<p><Materials></p> 	<p>Activated carbon: Strengthen the global value chain and expand sales in the Asia and North America markets.</p> <p>Preservatives: Accelerate the development of new businesses with a focus on anti-virus and particle technology, as well as xyladecor</p> <p>Fine materials: Apply fine materials to multiple purposes in high-functional materials such as semiconductors and displays, as well as to lenses</p> <p>Silica/alumina: Promote the development of applications centered on adsorbents, and conduct new market development for functional foods, etc.</p>
<p><IT></p> 	<ul style="list-style-type: none"> Accelerate a differentiation strategy in the finance and manufacturing sectors (BRMS (Business Rules Management System), embedding, etc.) Contribute to group innovation, including providing solutions to plants collaborating with the Commercial & Industrial Energy Business Unit Accelerate the IoT business in collaboration with Ube Information Systems, Inc. Create synergy with Agnie Consulting Corporation acquired in FY2018.3, and expand and strengthen the ERP* business in collaboration with Sakura Information Systems Co., Ltd.

*A method to integrally manage resources with the aim of improving operations efficiency and optimizing management overall.

<p>New Business Fields, Others</p>	<ul style="list-style-type: none"> Actively promote M&A and alliances with other companies and develop new business pillars in the areas of gas and electric power retailing, “Sumikata” services (reform, etc.), industrial water treatment, and solar and wind powered renewable energy in order to expand services and customer accounts and strengthen the energy value chain.
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Management that Wins Confidence of Stakeholders (ESG management)

We will continue to win the confidence of stakeholders through ESG conscious management, aiming for sustainable growth.

We aim to achieve efficient work styles and boost productivity among the Group as a whole.

Environment-conscious management (promote initiatives to reduce CO₂ emissions by 70 million tons*)

(*cumulative reduction amount including contribution to reduction at customer sites and overseas for the period between FY2018.3 and FY2031.3)

Introduce fuel cells, CHP, renewable energy sources, etc. through business activities

- **Revise the 2031.3 target for renewable energy sources (wind, solar, biomass, etc.) from 500MW to 1,000MW**
- Increase the number of **applications to back-feed electricity** from ENE FARMS **to the grid to over 30,000** (equivalent to a back-feed of over 50 million kWh of electric power in a full year)

Society-conscious management

- Promote initiatives in areas such as human rights and appropriate labor practices **and expand the scope of target groups to include group companies and important partners (material suppliers) in our overseas businesses**
- Contribute to community building through the introduction of energy-saving systems and proposals for health and sports in areas where large-scale developments are planned
- **Remain a healthy and sound Daigas group by continuing work style reforms**
 - Promote greater efficiency through smartphone applications, RPA (data compilation, system entry, etc.) and further use of IT
 - Expand working from home and utilize external satellite and co-working space

Governance enhancement

- **PDCA activities and information disclosure** based on changes in the business environment
 - Continue to be highly rated by domestic and international investors and evaluating institutions, etc.
 - ※ Selected for inclusion in the Dow Jones Sustainability World Index, and selected for inclusion in the Asia Pacific Index for the ninth consecutive year (2017)
- Enforce fair business practices

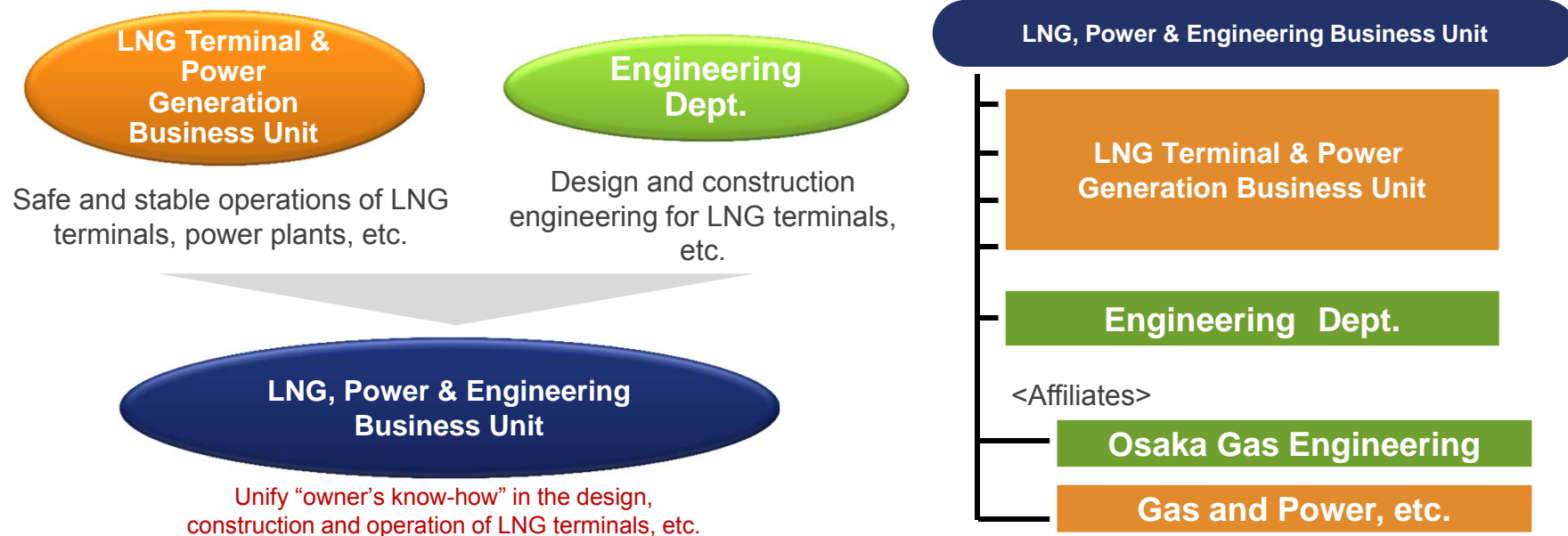
MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

Strengthening the Engineering Business

We are reorganizing the Engineering Department, responsible for the design and construction of LNG terminals, power plants, etc. and the LNG Terminal & Power Generation Business Unit, responsible for safe and stable operations, as the LNG Terminal, Power Generation & Engineering Business Unit.

Direction after reorganization

- We aim for the safer and more stable operation of our existing infrastructure by **unifying** and developing **our “owner’s know-how” in the design, construction and operation primarily of LNG terminals** that we have accumulated through our business development to date.
- We will **accelerate the development of a new infrastructure by strengthening engineering functions integrating infrastructure building, operation and maintenance** in areas outside of the region and overseas.
- In line with the needs of all business operators who are considering the introduction of LNG, etc., we will promote **comprehensive business expansion by proposing solutions at every phase from the start of planning to post-operations** through Osaka Gas Engineering Co., Ltd.



Pursuing Innovation to Go Beyond Boundaries

We will establish the Innovation Headquarters to take up the challenge of creating new values that go beyond existing boundaries. Under the new structure we will further drive innovation-oriented activities by promoting open innovation and digitalization.

Establish the Innovation Headquarters

- **Establish the Innovation Headquarters** with the aim of **creating new values through business reforms**
- Set up the Innovation Promotion Department **and integrally promote companywide innovation activities.**

<Take up the challenge of creating new values>

Innovation Headquarters



Advance open innovation

- **Collaborate with** diverse **corporate partners** not only in the field of technology but also in the service field
- **Strengthen Silicon Valley-based activities**
- **Collaborate with start-up companies** at home and abroad

<Co-create new businesses>



Promote digitization Exploration of technology

- **More convenient lifestyle services** and **business solutions** utilizing IoT and AI
 - **New electric power business** utilizing **distributed energy sources and ICT**
 - High-level infrastructure operations with digitalization
 - Innovative technology development such as fuel cells
- <Equipment and energy bringing lifestyle reforms>



Business reforms in preparation for a paradigm change

Products and services that go beyond customer expectations

Achieving drastic business reforms

Business Expansion into the Tokyo Metropolitan Market

In the Tokyo metropolitan area, we established a new company, CD Energy Direct Co., Ltd., engaged in the sale of services related to electric power, gas, lifestyle and business, jointly with Chubu Electric Power Co., Inc., and are providing new value to your consumer life and business.

Direction of a sales company

- **Maximize the value that we provide to our residential and corporate customers and contribute to society** by integrating the management resources and business know-how that the two companies have developed in the electricity and gas businesses over many years and making full use of those in the Tokyo metropolitan area.
- Provide **comfortable and convenient lifestyles** to our residential customers through the optimal use of electric power and gas, and **economically and environmentally advantageous business solutions** to our corporate customers taking advantage of electrification technology and combustion technology.
- In addition, we aim to build a new business model and service that go beyond the framework of energy business by creating a "new value" that is useful for living and business through services utilizing IoT technology.

	Overview
Company name	CD Energy Direct Co., Ltd.
Business purpose	Sales of electric power, gas and services related to lifestyle and business in the Tokyo metropolitan area
Planned date of establishment	April 2, 2018
Initial capital	1.75 billion yen
Equity ratio	CE:OG 50:50

<New Company Logo>



<Inaugural press conference>



Introduction of “Daigas Group,” our new group brand

We are introducing “Daigas Group,” our new group brand, to express our determination to work together as a group to improve the value of society and our customers in order to achieve our vision for the future outlined in the Long-Term Management Vision for 2030 (Byd2030).



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■ Group Concept

“Pursuing Innovation, while Promoting Our Motto ‘Service First’”

Financial Plan for FY2019.3

The acquisition of new electric power customers and cost reductions are offsetting the decrease in profits due to the full liberalization of the gas retail market, and we forecast a consolidated profit for FY2019.3 of 70 billion yen.

Premise: Crude oil price (JCC) 65 dollars/barrel, exchange rate 110 yen/dollar

	Consolidated Group			Non-consolidated Osaka Gas		
	Plan for FY2018.3* (billion yen)	Plan for FY2019.3 (billion yen)	Rate of change (%)	Plan for FY2018.3* (billion yen)	Plan for FY2019.3 (billion yen)	Rate of change (%)
Net sales	1,344.5	1,360.0	+1.2%	1,053.5	1,090.0	+3.5%
Operating income	66.5	74.0	+11.3%	28.0	37.5	+33.9%
Ordinary income*	64.0	70.0	+9.4%	35.0	46.5	+32.9%
profit	42.5	46.5	+9.4%	27.0	36.0	+33.3%
ROA	2.3%	2.4%	---	---	---	---
ROE	4.5%	4.6%	---	---	---	---
EBITDA	157.0	160.5	+2.2%	---	---	---

* Maintaining our forecasts unchanged from the April 2017 plan

Sensitivity of fluctuations in crude oil prices and exchange rates to ordinary income

Crude oil price+1 dollar/barrel ▲1.05billion yen, Exchange rate +1 yen/dollar(weak yen) ▲1.09 billion yen

	Plan for FY2018.3	Plan for FY2019.3	Rate of change
Gas sales volume (Non-consolidated)	8,118 million m ³	7,690 million m ³	▲5.3%
Electricity sales volume	10,303GWh	11,671GWh	+13.3%

Investment Plan for FY2019.3

To achieve “what we aim to be” as outlined in Byd2030, we are forecasting investment of 196 billion yen in FY2019.3, including quality improvement investment, mainly for the domestic electric power business and the international energy business.

(Unit: billion yen)

		Plan for FY2018.3	Plan for FY2019.3
Quality Improvement Investment		46.0	46.0
Growth Investment		122.0	150.0
Energy business	Domestic	25.0	59.0
	International	71.0	61.0
Life & Business Solutions		26.0	30.0
Total		168.0	196.0
(included number) Capital Expenditure		92.5	90.0



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Notes regarding forecasts

This document contains forecasts, plans, strategies, etc. related to the future performance, which are based on the judgment of the Group obtained from currently available information.

Please note that actual performance may substantially differ from these forecasts due to various factors.

These factors include trends in the Japanese economy, rapid fluctuations in exchange rates or crude oil prices, and abnormality in weather.