



Long-term Management Vision 2030 and Medium-term Management Plan 2020

March 2017

Osaka Gas Co., Ltd.



Thank you very much for your continuing understanding and cooperation for our business activities.
Let me express our sincere gratitude for your attending this meeting today despite your busy
schedules.

Today I would like to explain the Osaka Gas Group's long-term management vision toward 2030
and the initiatives planned up to 2020.

Long-term Management Vision 2030

“What we aim to be in FY2030” and
initiatives

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In 2009, we released “Field of Dreams 2020,” our long-term management vision toward fiscal 2020. Over the past three years, we have advanced our business activities according to our medium-term management plan “Catalyze Our Dreams.”

There have been significant changes in the business environment surrounding us, such as the full-scale liberalization of electricity and gas retailing, and the substantial decline in crude oil prices. We take advantage of these changes as good opportunities and will make Group-wide efforts to ensure the sustainable growth of our businesses.

First, I would like to explain our long-term management vision toward fiscal 2030.

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.



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

- **Going beyond customer expectations** Continue taking up the challenge of offering services that go beyond the expectations of customers
- **Going beyond business boundaries** Expand our business areas where we can contribute to the development of society, communities and customers
- **Going beyond corporate boundaries** Pursue alliances and M&A and develop businesses broadly both inside and outside Japan

We aim to become an innovative energy service company that continues to be the first choice of customers in the future, by achieving three ways of “going beyond.”

First is “going beyond customer expectations.”

All our members will strive in unity to continue to offer services that go beyond the expectations of customers, by constantly refining the high-quality services and know-how that we have fostered in the Kansai area for over 110 years.

Second is “going beyond business boundaries.”

Without being restricted by the boundaries of our existing businesses, we will expand our businesses to various areas in which we can make effective use of our strengths, so as to contribute to the development of society, communities, and customers.

And the third is “going beyond corporate boundaries.”

We will be always open to innovations and proactively promote collaboration with various partner companies, trying to develop new businesses even more than ever before in various areas inside and outside Japan.

Following “three guiding principles” based on the Osaka Gas Group corporate philosophy, we are pursuing business activities to realize the Long-term Management Vision.

Osaka Gas Group corporate philosophy

Corporate Motto

Service First^{*1}

What the Osaka Gas Group aims to be

A corporate group that supports continuous advancement of consumer life and businesses

Osaka Gas Group Declaration

The Osaka Gas Group is creating four values.

Value for customers

Value for society

Value for shareholders

Value for employees

Three guiding principles toward FY2030

Continue providing the high-quality services we have developed in the Kansai area to as many customers as possible .

- Expand areas to conduct businesses in
- Enhance businesses and services that can make effective use of Group's strengths

Always strive to be professionals who pursue innovative challenges.

- Ensure a higher level of security and stable supply
- Innovative product and technology development, engineering

Constantly winning confidence of investors, corporate partners, employees and society.

- Promote portfolio management
- Enhance competitiveness by further improving business efficiency
- Pursue management that is conscious of the ESG^{*2} global standard
- Establish organizations and workplaces in which all Group employees can conduct business activities in good health

*1: Osaka Gas Group corporate philosophy: <http://www.osakagas.co.jp/company/about/brand/index.html>

*2: ESG (Environmental, Social, Governance)

Now, let me explain the three guiding principles of the Osaka Gas Group toward fiscal 2030.

Cherishing the “three guiding principles” based on the Osaka Gas Group corporate philosophy, we implement activities to realize the Long-term Management Vision.

The first principle is that we provide as many customers as possible with the high-quality services that we have developed on the basis of our “service-first” policy.

We will expand the areas to conduct businesses and enhance businesses and services that can make effective use of our strengths, while always ensuring high quality.

Second is that we will continue to be professionals who keep on responding to challenges with innovative ideas.

We will be continuously committed to ensuring a higher level of security and stable supply, innovative product and technology development, and engineering, which are our basic capabilities.

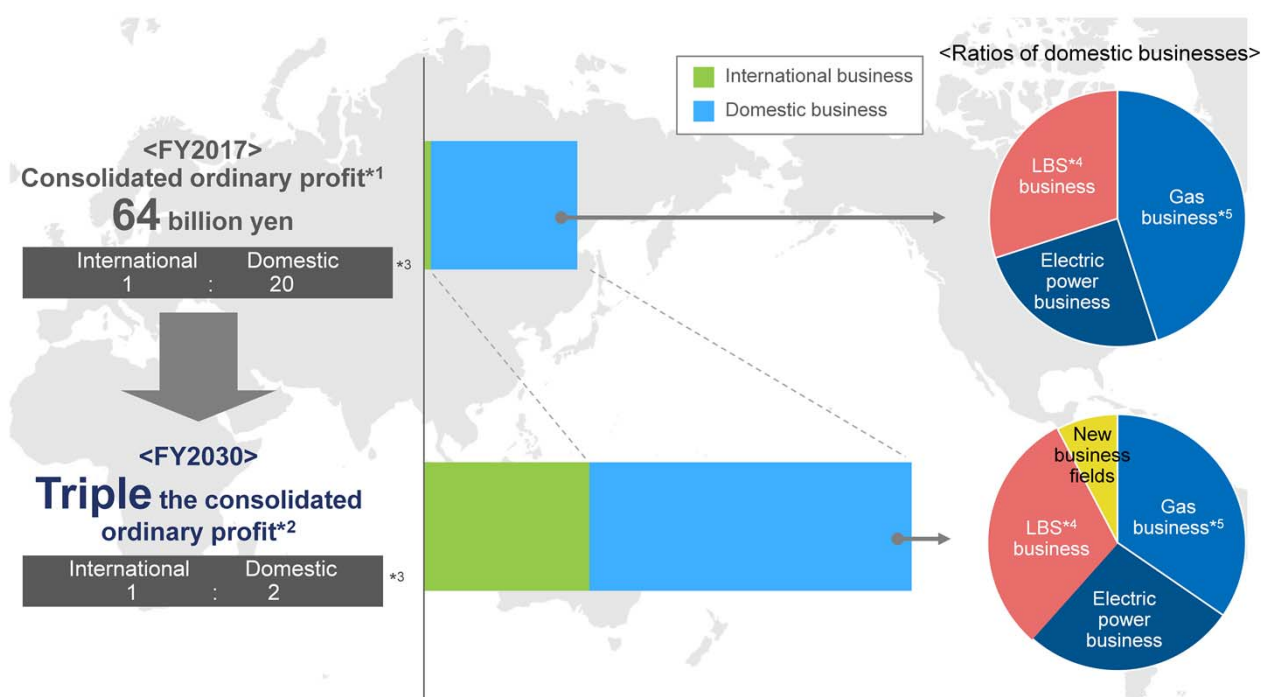
The third is that we will continue to be trusted by investors, corporate partners, employees and society.

In order to make the Osaka Gas Group a corporate group that is always trusted by all its stakeholders, we will advance our efforts to establish organizations and workplaces in which all

Group employees can conduct business activities in good health.

“What We Aim to Be in FY2030” – Target Income Level and Structure

The Osaka Gas Group is undertaking the challenging task of tripling its consolidated ordinary income by fiscal 2030 compared with fiscal 2017 by expanding overseas operations as well as domestic operations.



*1: Crude oil price = \$55/barrel, exchange rate = 115 yen/dollar *2: Crude oil price = \$70/barrel, exchange rate = 115 yen/dollar

*3: On the basis of consolidated ordinary profit *4: Life & Business Solutions *5: Gas business profit includes sales of equipment and LNG.

Now I would like to tell you “what we aim to be in fiscal 2030.”

We are committed to achieving consolidated ordinary income around triple that planned for FY2017.

For domestic businesses, in addition to enhancing and broadly expanding the peripheral businesses of the gas business, we will also promote the enhancement of the electric power and LBS businesses as well as businesses in new fields.

For international businesses, we will establish a business structure in which profits can be obtained from multiple priority strategic areas, thereby boosting the ratio of international businesses to domestic businesses to 2 to 1 in terms of profits.

Three business pillars that support the Osaka Gas Group

Domestic Energy Business

International Energy Business

Life & Business Solutions (LBS) Business

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 2030.

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

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Materials

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Furthermore, we will realign the three pillars of domestic energy, international energy, and LBS, into nine business sectors, and promote the growth of each of these sectors. By implementing such business portfolio management, we aim to become capable of responding to increasing uncertainties in the future.

In gas manufacturing and sales, with the aim of becoming an energy marketer in the new era, we will abandon our conventional sales-oriented mindset and shift our focus to the enhancement of profitability. This will be achieved by entering markets outside the Kansai area and enhancing peripheral service businesses, thereby maximizing ties with our customers.

In the gas distribution business, we will promote the expansion of demand for gas transportation services and continuous cost reduction, thereby ensuring stable profits.

In the electric power generation and sales sector, which we position as the businesses with great potential, our sales and procurement departments will make united efforts to expand the business scale.

In the international business sector, we will enhance the ongoing upstream production projects or IPP, investment in LNG terminals, and retail business in Southeast Asia.

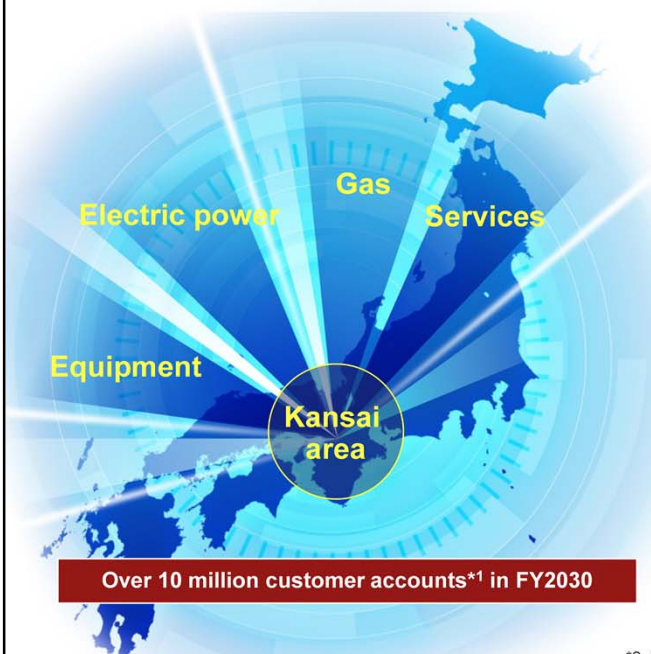
For the LBS businesses, we will aim to achieve ordinary profit of 10.0 billion yen for each of the three sectors of urban development, materials, and information, and will further increase the profits by expanding and enhancing the relevant activities.

Regarding new business fields, I believe there are still many potential business opportunities around our business activities, though they may not be profitable within the Osaka Gas Group. We will develop them as our new business pillar with sales of around 10 billion yen, by enhancing them through M&A and using our existing know-how to make them profitable.

Development of Energy Marketer Business of a New Era

The Osaka Gas Group is aiming to maximize the number of customer accounts through initiatives to go beyond “customer expectations,” “business boundaries” and “corporate boundaries,” such as expanding peripheral services and stepping up operations outside the Kansai region.

Provide Comprehensive Energy Supply and Services



Go beyond “customer expectations” and “business boundaries”

Provide comprehensive energy supply and services

- Expand electric power and LPG businesses as well as gas business
- Provide comfortable lifestyles to customers by offering them our enhanced home services
- Provide one-stop services of Utility Agent*2

Go beyond “corporate boundaries”

- Broadly deploy the know-how and services (energy & services) developed in the Kansai area through expanded alliances
- Promote new business development (M&A, etc.) in the energy peripheral fields

*1: Total number of contracts for gas, electricity, LPG, ENE FARM, “Sumikata” services, Utility Agent contracts, etc.

*2: Trademark registered by OGCTS Co., Ltd. and Osaka Gas Co., Ltd. under which utility facilities (for gas, electricity and water supply) are provided to offer a one-stop service from maintenance and management to energy procurement for customers

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From now, I would like to explain the activities in each field.

First is advancing as an energy marketer of a new era.

We will take initiatives to maximize the number of customer accounts, such as expanding peripheral services of energy businesses and expanding our operations outside the Kansai region.

While expanding the electric power and LPG businesses, as well as the city gas business, we will enhance life-support services and one-stop services as a utility agent. By doing so, we will be able to comprehensively provide energy and services, thereby responding to the needs of customers and society.

Furthermore, we will deploy the know-how and services we have developed in the Kansai area into broader areas by promoting alliances.

In fiscal 2030, we aim to gain over 10 million customer accounts in terms of the number of contracts for city gas, electricity supply, LPG, ENE FARM, etc., so as to increase our opportunities to contact customers, and also to deepen and strengthen our ties with them.

Development of Energy Marketer Business of a New Era

We are increasing the volume of natural gas (including LNG) for retailing, energy services, trading, etc. both inside and outside Japan.

We are establishing a competitive power-supply portfolio both inside and outside Japan, including power purchases from markets and other companies.

Gas (including LNG) sales and trading

Electric power generation and sales

Expand retailing
and energy
services

Raise the gas
demand of power
generation

Increase trading
volume

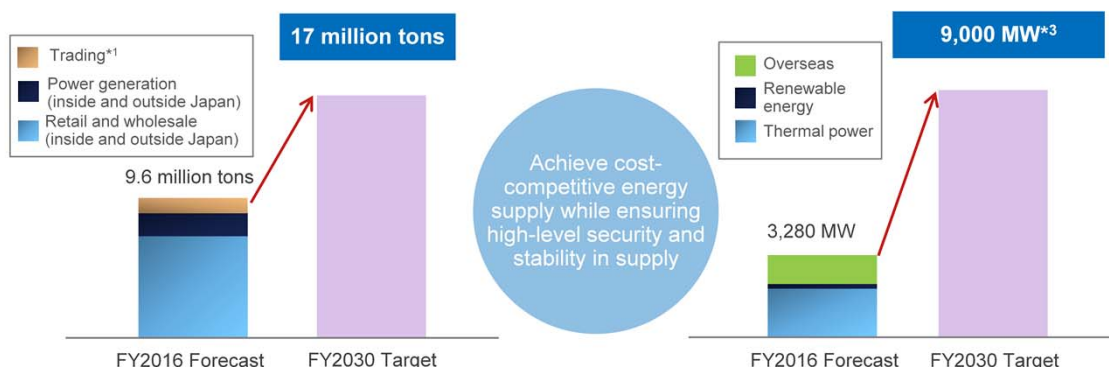
Boost the in-house
power generation
capacity

Expand renewable
energy

Increase
purchases from
external sources^{*2}

<Scale of natural gas business>

<Power-supply portfolio (inside and outside Japan)>



^{*1}: Including LNG sold to energy business operators inside and outside Japan, and LNG used in operations of overseas LNG terminals

^{*2}: Including negawatt-based trading

^{*3}: The ratio of procurement from markets and other companies will continue to be considered, depending on the situation of system design by the national government.

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Next, let us look at the gas business and the electric power business.

In the gas business segment, we will expand the scale of our natural gas business to 17 million tons in terms of LNG by fiscal 2030, by expanding retail and energy services inside and outside Japan, natural gas power generation, operation of LNG terminals, and trading.

In the electric power business segment, in line with the expansion of retail and wholesale demand, we will establish a power-supply portfolio of 9,000 MW inside and outside Japan, consisting of not only natural gas-fired thermal power plants but also renewable energy, and procurement from external sources such as markets and other companies, by fiscal 2030.

Acceleration of International Energy Business Development

We are expanding our businesses across the entire value chain from upstream to downstream by leveraging the know-how we have developed in Japan and the international business bases we have established so far, focusing mainly on the priority areas including North America, Asia and Oceania.

Strengthen the earnings structure of international energy businesses by advancing operations in each field



Policies for Business Development

- (1) Concentrate business resources in priority businesses in each **priority area**
- (2) Accelerate business development through **mutually complementary partnerships with other companies and M&A**
- (3) **Deepen involvement in each business and strengthen business promotion capabilities** by developing human resources, establishing speedy decision-making system, etc.




*1: Independent Power Producer *2: Local Distribution Company

*3: Freeport LNG Development, provided by L.P. (projected completion image)

Next is accelerating development of international energy business.

We position North America, Asia and Oceania as priority areas and intensively put the know-how and business resources we have cultivated in domestic businesses in these areas. By making maximum use of the Freeport LNG terminal in the U.S. and other international business infrastructure, we will take the initiative in developing businesses, thereby achieving sustainable growth. We will also proactively establish mutually complimentary partnerships with other companies and utilize M&A, so as to accelerate the business development.

Expansion of LBS Business and Development of New Business Fields

<p><Real Estate></p> 	<p><What we aim to be> a corporate group that plays active roles in various real estate business fields, such as leasing, sales, and maintenance by <u>expanding businesses in the Tokyo area as well as in the Kansai area.</u></p> <ul style="list-style-type: none"> ● In the leasing business, invest in new rental office properties in the Tokyo area to accelerate growth (<u>double the owned lease assets from the current level</u>) ● Launch real estate sales business in the Tokyo area ● Establish its <u>top-class position in the building maintenance business in the Kansai area</u>
<p><Materials></p> 	<p><What we aim to be> a functional-material manufacturer that contributes to the industry, the consumer life and the environment, <u>playing a leading role in niche markets mainly overseas.</u></p> <ul style="list-style-type: none"> ● Increase the number of businesses with sales of 10 billion yen to around <u>double the current level</u> (5 businesses at present) ● Become one of the top 30 listed Japanese-based chemical manufacturers, increasing shares mainly in overseas markets (around top 80 level at present)
<p><IT></p> 	<p><What we aim to be> a corporate group that will grow sustainably with customers, providing new value by <u>advanced ICT innovation.</u></p> <ul style="list-style-type: none"> ● Expand the business scale by enhancing the value-added proposal offering businesses ● Provide customers of the Osaka Gas Group (businesses and households) with high-quality services (<u>IoT*1, big data analysis, application of AI*2, etc.</u>) through collaborations with other Group companies
<p>New Business Fields</p>	<p>Establish new business pillars by <u>promoting new business development, including M&A, in the peripheral fields of energy businesses.</u></p> <ul style="list-style-type: none"> ● Develop new businesses that will earn <u>ordinary income of over 10 billion yen</u> in new fields, such as cryogenic power generation, industrial gas production, building maintenance, ESCO, water treatment, home service, equipment sales, reform, etc.

*1: Internet of Things *2: Artificial Intelligence

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In the LBS business segment, I think it is important to concentrate our focus on urban development, materials, and information. Accelerating growth in these fields is crucial to supporting the balance of the Osaka Gas Group's business management.

In urban development, we will expand businesses in various fields while expanding our businesses to the markets in the Tokyo area.

In the materials segment, we will double the number of businesses with sales of 10 billion yen, which is five at present. Doing so, we aim to become a functional material manufacturer holding a top-level position in niche markets.

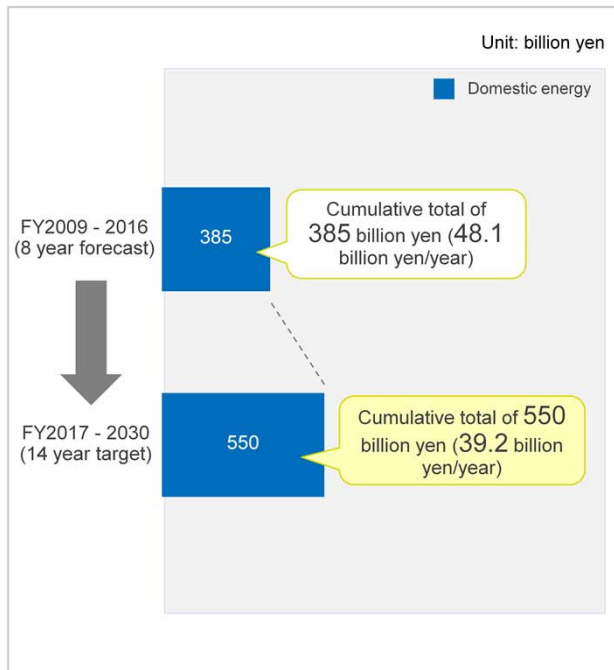
In the information segment, by expanding the business scale through enhancing the businesses that offer value-added proposals, as well as by developing advanced solutions, we aim to continuously offer high-quality services for customers of the entire Osaka Gas Group.

As for the establishment of new business fields, we will identify businesses with the potential to grow as a business of the Osaka Gas Group, and will engage actively in the development and expansion of such businesses.

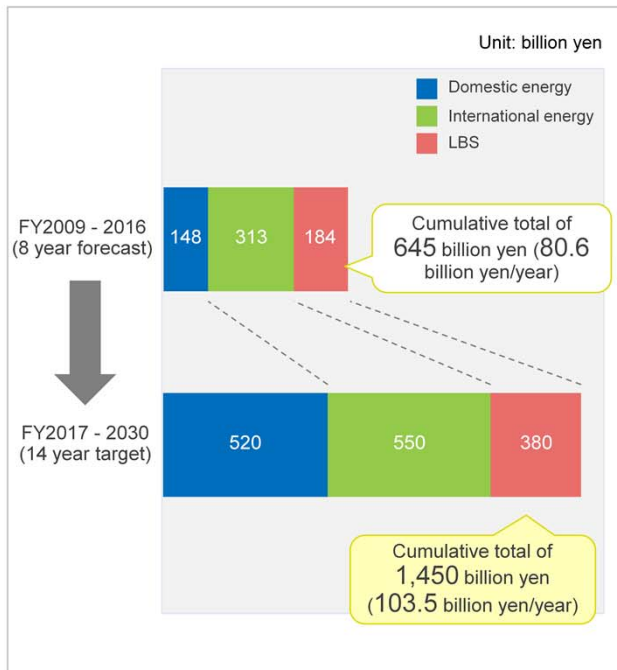
Investment Targets – Growth Investment, M&A

To achieve "what we aim to be," we are investing in quality improvement, business growth and M&A, targeting a cumulative total of 2 trillion yen by FY2030 .

Investment in quality improvement



Growth investment, M&A



Next is about investment.

For our existing businesses, we will make a cumulative total investment of 550 billion yen by fiscal 2030, for quality improvement.

Also, in order to expand the nine business sectors, we will invest a cumulative total of 1,450 billion yen in new businesses by fiscal 2030.

Innovations That Go Beyond Customer Expectations

By introducing advanced technologies and latest techniques as well as applying the capabilities we have developed in ICT*1 utilization, engineering and technology development, we are continuously providing products and services that go beyond customer expectations.

*1: Information and Communication Technology



Now, about innovations to go beyond customer expectations.

To promote the initiatives that I have explained so far, we must further advance all the technologies we have developed so far and make the maximum use of them.

By continuing to utilize all our technologies in advanced fields, we will continuously provide products and services that go beyond customer expectations.

As a corporate group engaging in businesses globally, we are promoting our CSR commitment and ESG conscious global standard management.

Environment-conscious management

- Support customers in introducing high-efficiency energy equipment (**fuel cells, CHP, etc.**), and provide them with energy services
- Promote fuel conversion to natural gas, a clean energy source, and introduction of **energy-saving technologies**
- Develop and introduce leading-edge thermal power plants and **renewable energy** (bio, wind, solar, etc.)

Contribute to CO₂ reduction of approx. 70 million tons in total for the period between FY2017 and FY2030

* including contribution to reduction at customer sites and overseas (equivalent to approx. 2% of the national reduction target)

- Promote environmental management focusing on resources recycling, biodiversity, chemical substances safety, etc.



Solar power generation



CHP



Fuel cells

Society-conscious management

- Pursue activities in accordance with international norms, such as the Global Compact
- Promote activities relevant to the entire value chain including initiatives to protect human rights
- Engage in co-creation with local communities (social design activities, community communication activities, community building, etc.)

Governance enhancement

- Promote dialogues with stakeholders
- Disclose ESG information in accordance with global standards
- Pursue fair business practices
- Take measures to ensure information security
- Enhance Diversity of employees and executives

Now, about management that will continue to be trusted by stakeholders.

With the aim of becoming a corporate group engaging in businesses globally, we will promote management of global standard that is conscious of the environment, society, and governance, or ESG.

To continue to be a healthy corporate group, we are committed to reforming attitude and style of work while securing an environment to promote the reforms.

Continue to be a healthy corporate group

The Osaka Gas Group is committed to promoting a work environment that attracts many human resources with diverse values and where they can work with motivation and pride, thereby realizing highly productive and creative work styles.

Attitude Reform

- ✓ **Sense of ownership**
Spontaneously think and act with a sense of ownership and motivation for reform and improvement, which will make a source of strength for the Osaka Gas Group
- ✓ **Promptness**
Work with speed in a smart and efficient way rather than to work slowly in the pursuit of perfection
- ✓ **Flexibility**
Be always ready to adopt external or new viewpoints and flexibly change ways of thinking
- ✓ **Beyond boundaries**
Without being restricted by the existing boundaries, pursue growth by taking up challenges beyond the boundaries

Work Style Reform

- **Develop human resources capable of executing duties globally**
- **Shift human resources to highly creative jobs while improving work efficiency with ICT, etc.**
- **Promote know-how sharing to expedite development of human resources ready for front-line operations and improve work quality**
- **Establish workplaces that attract first-rate personnel**

Work Environment Improvement

Collaboration

Promote collaboration among individuals and companies with diverse values

Diversity

Offer equal opportunities regardless of nationality, age, gender or residence

Flexibility

Establish a work environment and systems that allow employees to work without restriction of location or time

Regarding the theme “promoting work style reform that will contribute to improved productivity, and developing human resources,” to ensure that the Osaka Gas Group remains in good health, we will implement awareness reform and work style reform. By doing so, we will establish a foundation for developing diverse human resources, who will work in diverse ways and continue to provide services that go beyond customer expectations.



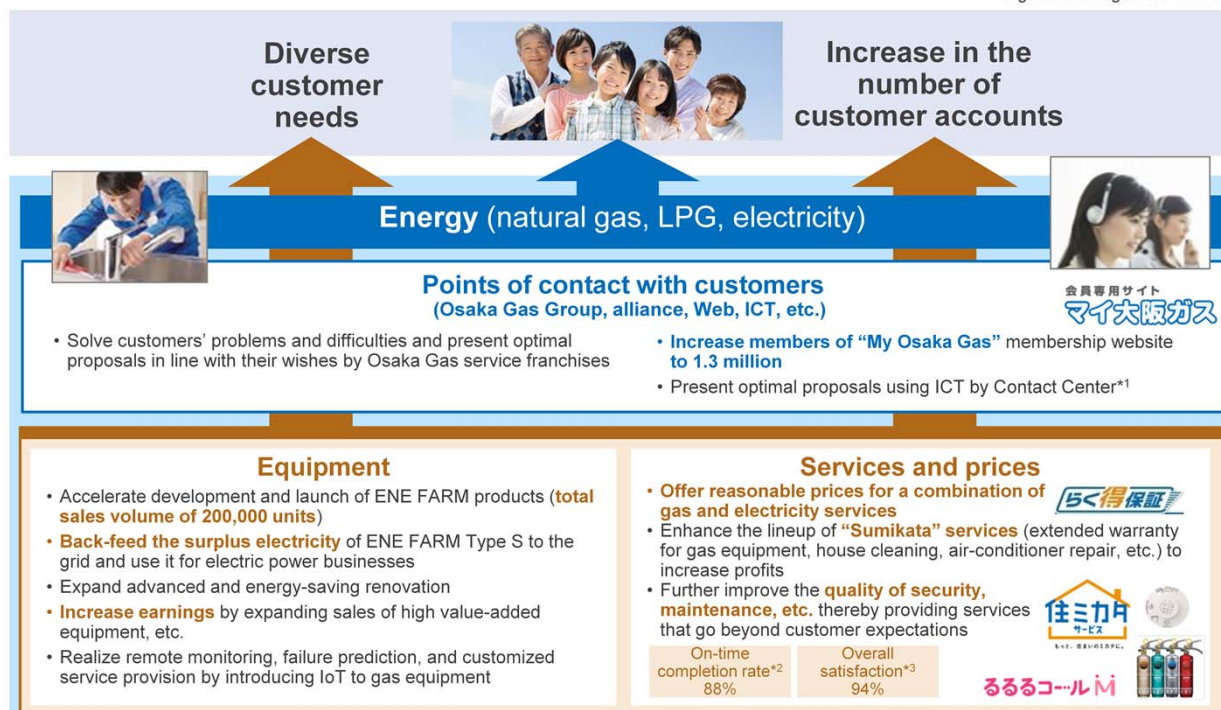
**Initiatives in the Medium-term
Management Plan 2020 to achieve the
Long-term Management Vision 2030**

From now, I would like to explain the initiatives planned up to fiscal 2020.

Enhancement of Solutions Business for Residential Customers

We are aiming to be the energy provider always chosen by customers for services of natural gas, LPG, electricity, etc. by offering enhanced products and services and delivering excellent customer experience at maintenance and other customer contact occasions.

* Figures are targets for FY2020.



*1: The department specialized in responding to inquiries from customers using telephone, fax, email, chat, and the Web

*2: The rate of repair cases completed on the day desired by customers *3: Percentage of customers who responded "Good" or "Very Good" in a questionnaire survey

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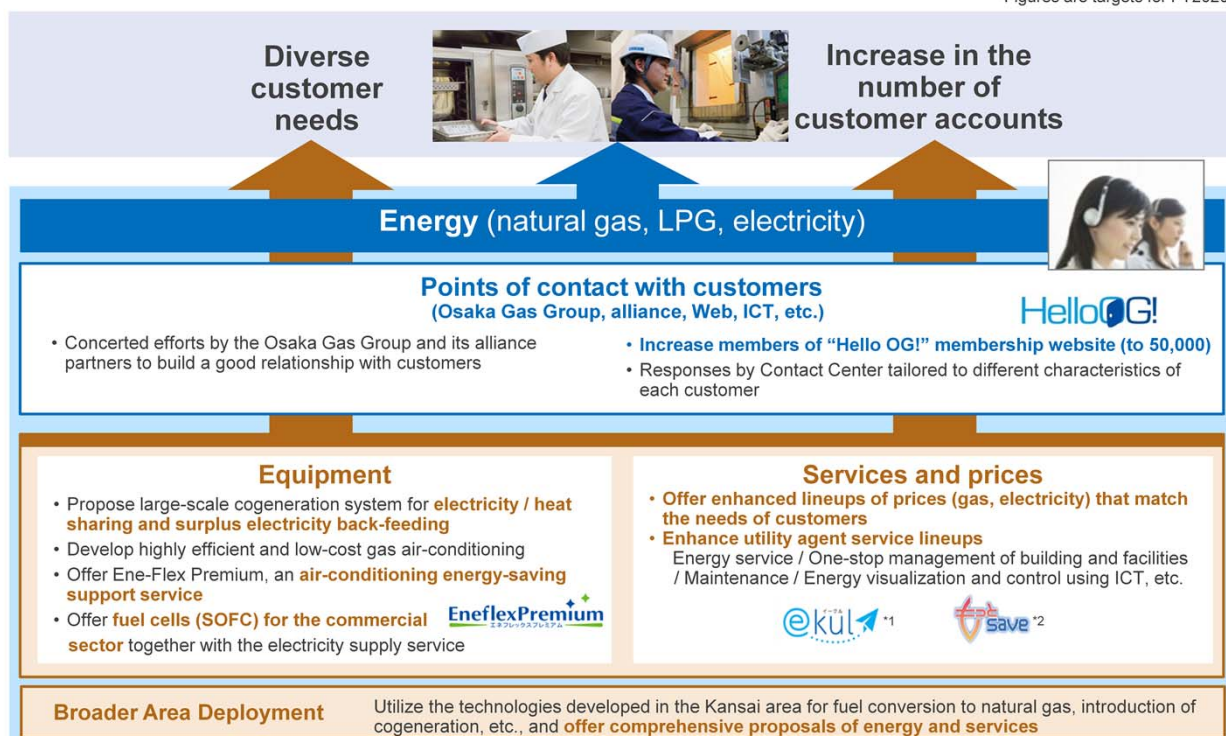
First is about offering solutions to residential customers.

Not only pursuing higher quality in security and maintenance by further raising the rate of on-time completion and customer satisfaction, we will also enhance the services to solve various problems related to the daily life of customers, including "Sumikata" service, and strengthen activities to offer the optimal proposals for each customer.

We are committed to increasing the number of customer accounts and strengthening ties with customers.

We are aiming to be a company that is always chosen by customers by providing services that respond to diverse customer needs, as well as supplying gas and electricity.

* Figures are targets for FY2020.



*1: Simplified measurement of various data (temperature and humidity, water supply charges, etc.) *2: Monitoring of equipment operation status and automatic control

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For business and industrial customers, we will respond to the customer needs for optimal management and visualization of energy use by offering ICT services, while also enhancing our activities as a utility agent to supply tailor-made energy services, such as one-stop management of building and facilities and maintenance.

We will also actively promote business deployment in broader areas by using the know-how we have fostered in the Kansai area, with the aim of expanding earnings.

This Medium-term Plan is the first step forward for us as an energy marketer of a new era. Instead of depending solely on gas sales, we will also increase customer accounts in peripheral services to increase cash inflows. This will enable us to provide higher-level energy services and become more helpful for customers who have chosen us and achieve healthy growth as a business operator.

Establishment of Competitive Power-supply Portfolio

We are building up a flexible power supply structure capable of responding to fluctuations in the supply-demand balance with various power sources including the market and the other players' plants as well as our own existing plants while developing new ones.

Direction of Electric Power Procurement

- Develop our own thermal power plants that are highly efficient and competitive
- Enhance renewable power sources
 - Promote biomass, wind and solar power projects
- Achieve procurement that balances competitiveness, environment-friendliness, and flexibility
 - Flexibly use external power sources according to the market price forecasts and supply/demand fluctuations

- 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 (1,000 to 1,800 MW)

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)

Nakayama Nagoya Joint Power Generation

Increasing coal-fired generation capacity with 30% biomass-mixed combustion (110 MW)

Inami Wind Power Generation

Constructing a wind power plant (26 MW)

Yamaguchi Ube Power

Studying the possibility of building of a new coal-fired thermal power plant jointly with Ube Industries and J-Power (1,200 MW)

* Presented only the sources released to the press

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As for establishing a competitive power-supply portfolio, we will build a flexible structure capable of responding to fluctuations in the supply-demand balance, by allowing combined use of power sources procured from the market and other sources in view of the direction of future system design, while advancing development of new power sources.

Development of Pipeline Network Operator Business

As a gas pipeline network operator, we are developing pipeline networks in collaboration with marketers, with the aim of expanding natural gas demand, while continuously ensuring safety and security as well as neutrality and transparency of our pipeline network system.

Ensuring security and safety that supports our gas business

Enhance levels of security and disaster prevention

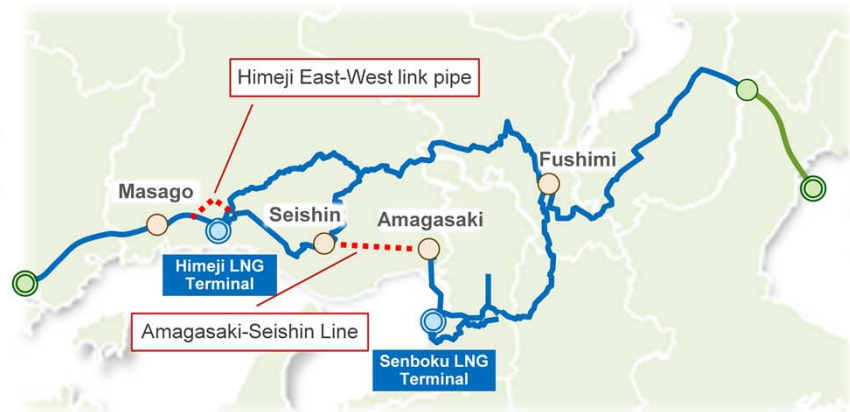
- **Enhance security level and pursue zero accidents**
 - Enhance the level of emergency response
 - Continue operations with zero serious accidents
- **Advance disaster response**
 - Subdivide the supply suspension areas
 - Introduce advanced operations for recovery from disaster

Expanding natural gas supply

- **Promote collaboration with marketers and development of pipeline network**
 - Improve convenience in transportation supply
 - Promote stable supply
 - Ensure neutrality and transparency

Build facilities based on a long-term plan

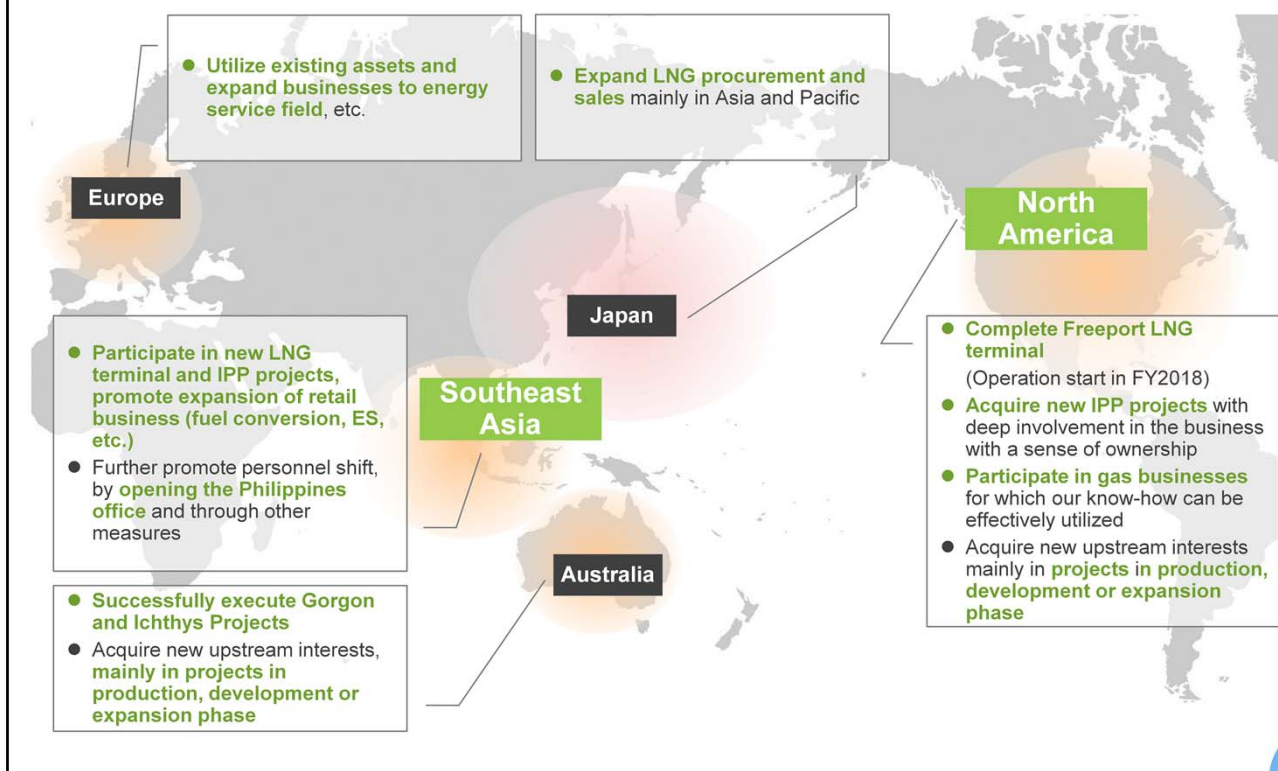
- **Develop high-voltage main line networks**
 - Develop the Himeji East-West link pipe
 - Study the possibility of development of Amagasaki-Seishin line
- **Achieve the advanced safety targets**
 - Complete the replacement of gray cast iron pipes by FY2024
 - Increase the rate of earthquake resistance pipes to 90% by FY2025



Regarding development as a pipeline network operator, operation of a new system will start this April. While promoting the improved convenience in transportation supply and ensuring neutrality and transparency, we will make continued efforts to maintain and expand demand for our transportation services.

Main Focuses of International Energy Business

In addition to the launch and completion of the projects we are participating in, we are expanding scales of businesses in the fields where our existing assets and unique know-how can be effectively utilized, and in the regions of high economic growth potential.



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Let me continue my talk on energy business. Next, I would like to explain our international energy business.

Upstream, we will steadily promote both the Gorgon and Ichthys projects, while trying to acquire new projects, mainly those in production or under expansion of development.

For middle and downstream, we will work to complete the construction of Freeport. We will also accelerate examination of joint participation in gas and IPP businesses with major business operators.

As the first step of this approach, we are entering into an agreement with CPV, a project promoter, on the acquisition of a 20% share of the Shore Project, a natural gas-fired thermal power plant currently in operation, and a 50% share of the Fairview Project, a natural gas-fired thermal power plant currently under development, in the PJM market, the largest electricity wholesale market in the United States. At present, the final negotiations are under way. By participating in this project, we will accumulate know-how related to the US electric power business, with the aim of expanding our future IPP business.

At the same time, we position Southeast Asia a priority action area for our Group, and promote participation in LNG terminal and IPP projects, fuel conversion, and expansion of energy retail service, etc. in this area. Furthermore, we plan to open a representative office in the Philippines, and further allocate personnel to Southeast Asia.

Main Focuses of LBS Business and New Fields

Through organic growth (internal growth) and growth investments, we are developing our LBS business as one of our major pillars, comparable to our energy businesses, and actively seek opportunities of M&A in new fields.

<p><Real Estate></p>	<p>Leasing business: Establish a structure for investment in new offices in the Tokyo area</p> <p>Building management: Enhance the business by proposing services for energy saving and facility construction, etc.</p> <p>Kyoto Research Park: Invite new tenants and develop a new building</p>	<p>[Sales] (simple total) Estimate for FY2016: 44.1 billion yen</p> <p>Target for FY2020: 52 billion yen</p>
<p><Materials></p>	<p>Activated carbon: Expand the global value chain through collaboration between OG Chemical and Jacobi</p> <p>Preservatives: Introduce anti-virus coating agent, etc. as well as xyladecor</p> <p>Fine materials: Apply fluorene to multiple purposes as well as to optical lens resin</p>	<p>[Sales] (simple total) Estimate for FY2016: 71.3 billion yen</p> <p>Target for FY2020: 90 billion yen</p>
<p><IT></p>	<ul style="list-style-type: none"> Create Group synergy and expand earnings by introducing new technologies (introduction of AI in call centers, detection of signs of abnormality using IoT, etc.) Expand earnings from outside the Group mainly in the segments of finance, manufacturing and energy 	<p>[Sales] (simple total) Estimate for FY2016: 66.1 billion yen</p> <p>Target for FY2020: 70 billion yen</p>
<p>New Business Fields, Others</p>	<ul style="list-style-type: none"> Enhance the life service business in response to the changes in the market environment, such as operation of 24-hour fitness gyms by OG Sports (FITBASE 24). Seek new M&A opportunities and reorganize/reinforce the existing affiliated companies in the energy businesses inside and outside Japan, LBS business and their peripheral fields. <p>Set up the New Business Development Dept. in FY2017</p>	<p>[Example of possibility studies of new field business expansion and M&A]</p> <p>Water treatment, building maintenance, industrial gases, life service, etc.</p>

For the LBS business and new fields, through organic growth and growth investments, we will establish the LBS business as a major business field comparable to the energy field, and actively support M&A with respect to the new fields.

Financial Targets for Medium-term Management Plan 2020

We are aiming to enhance our business profitability through shoring up the international energy and LBS businesses.

At the same time, in Japan, where uncertainty regarding the domestic energy business has been escalating, we are working to firmly maintain a sound financial position.

		Plan for FY2017	Plan for FY2020
Profitability index	ROA	2.3%	3.5%
	ROE	4.5%	7.0%
	EBITDA* ¹	157 billion yen	200 billion yen
Shareholder returns	Payout ratio	30% or higher* ²	
Financial soundness index	D/E ratio	Approximately 0.7	
	Capital adequacy ratio	Around 50%	

*1: EBITDA = operating income + depreciation cost + amortization of goodwill + equity in earnings/losses of affiliated companies

*2: Excluding short-term fluctuation factors

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Economic indexes that our new Medium-term plan aims at are as follows.

We will develop new businesses mainly in the fields of domestic electricity and international businesses, aiming to achieve an ROA of 3.5% and an ROE of 7% in FY2020.

In order to continue growth investments and M&A, we will set EBITDA, a cash-based profit index excluding the impact of depreciation and goodwill amortization, as a new important management index, and aim at 200 billion yen for fiscal 2020.

Meanwhile, since uncertainty regarding the domestic energy business has been escalating, we will firmly maintain the D/E ratio of around 0.7 and the equity ratio of around 50%.

For shareholder returns, we set the continuation of stable dividend payment as the basic policy, and will aim at a consolidated payout ratio of 30% or higher.

Financial Plan for FY2017

Despite the offset of a decrease in profits due to the impact of the full gas retail market liberalization and a decrease in time lag profit in the gas business by the increase in profits achieved through acquisition of new electricity customers, etc., we forecast a decrease in overall consolidated ordinary profit for FY2017, which is 64 billion yen, 29 billion yen lower than the estimate for the previous year.

Premise: Crude oil price (JCC) 55 dollars/barrel, exchange rate 115 yen/dollar

	Consolidated Group			Non-consolidated Osaka Gas		
	Estimate for FY2016 (billion yen)	Plan for FY2017 (billion yen)	Rate of change (%)	Estimate for FY2016 (billion yen)	Plan for FY2017 (billion yen)	Rate of change (%)
Net sales	1,159.5	1,344.5	+ 16.0%	886.5	1,053.5	+ 18.8%
Operating income	95.5	66.5	-30.4%	55.5	28.0	-49.5%
Ordinary income	93.0	64.0	-31.2%	69.5	35.0	-49.6%
Net income	64.5	42.5	-34.1%	54.0	27.0	-50.0%
ROA	3.5%	2.3%	---	---	---	---
ROE	7.0%	4.5%	---	---	---	---
EBITDA	185.0	157.0	-15.1%	---	---	---

	Non-consolidated Osaka Gas			Sensitivity of fluctuations in crude oil prices and exchange rates to ordinary income	
	Estimate for FY2016 (billion m ³)	Plan for FY2017 (billion m ³)	Rate of change (%)		
Gas sales volume	8.52	8.12	-4.7%	Crude oil price + 1 dollar/barrel	0.99 billion yen
				Exchange rate + 1 yen/dollar (weak yen)	0.96 billion yen

The income and expenditure plan for fiscal 2017 is as presented in the chart.

Although a decrease due to the impact of the full-scale retail liberalization and a decrease in profit from automatic increases in the city gas business can be covered by the increase in profits achieved through acquisition of new electricity customers, etc., we forecast overall consolidated ordinary profit to be 64.0 billion yen, 29.0 billion yen lower than the estimate for the previous year.



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.

Thus, I have explained the Osaka Gas Group's long-term management vision and medium-term management plan.

Thank you very much for your attention.

Reference materials

Osaka Gas Group's Long-term Management Goals (Key Management Tasks) - Basic Concept

Task	Target
(1) Expand business areas and enhance services	<ul style="list-style-type: none"> Energy Business in Japan: gas manufacture and sales / gas distribution / electric power generation and sales / new field development Energy Business Overseas: international upstream and trading / international middle and downstream LBS Business: real estate / materials / IT / new fields, etc. <p>Achieve growth in each of the above business areas and establish a robust business structure to minimize risks such as oil price fluctuations.</p> <ul style="list-style-type: none"> Pursue further profits by providing Group's high-quality services such as electricity supply, LPG supply, life support and business support, as well as natural gas supply Promote further business development in broad domestic areas and international strategic areas
(2) Provide security and safety as an innovative energy group of professionals	<ul style="list-style-type: none"> Continue enhancing the level of services while quickly adopting the world's technological advancements, we continue to commercialize our proprietary technologies and take on new initiatives, and will continue to provide safe, secure and high-quality services on an ongoing basis.
(3) Win stakeholders' confidence by improving corporate and business quality	<ul style="list-style-type: none"> Exercise high-quality management through business activities that will make us remain the first choice of customers, that comply with laws and regulations and that are sustainable and environmentally friendly.
(4) Increase corporate value	
(1) Improve the efficiency of our assets and capital	<ul style="list-style-type: none"> Improve EBITDA*1, ROA, ROE while continuously enhancing the profitability
(2) Provide returns to shareholders	<ul style="list-style-type: none"> Provide stable dividend on a continuous basis as our basic stance while we decide its appropriate timing by comprehensively taking into account other profit sharing measures such as purchasing treasury stock, based on business results and future management plans. Target payout ratio: within the range of Osaka Gas' individual surplus distributable amount Target consolidated payout ratio: 30% or more, excluding short-term profit fluctuation factors.
(3) Maintain financial soundness	<ul style="list-style-type: none"> While implementing quantitative risk volume management, maintain a shareholders' equity ratio of about 50% and D/E (interest-bearing liabilities/equity capital) ratio of approximately 0.7 over the medium to long term.

*1: EBITDA = operating income + depreciation cost + amortization of goodwill + equity in earnings of affiliated companies

Long-term Management Task		Estimate for FY2016	Target of Medium-term Management Plan 2020	Target of Long-term Management Vision 2030
Business area Expansion	Power supply capacity*1	3,280 MW	→	9,000 MW
	Number of customer accounts	Approximately 8 million homes	→	10 million homes or more
	Scale of natural gas business	9.6 million tons	→	17.0 million tons
Quality improvement	Customer satisfaction at each contact point	93%	94%	95%
Security and safety	Ensure security and safety of gas pipeline operation, gas manufacturing and power generation	Maintain the status of zero serious accidents		
Environment, CSR	Reduction amount of CO ₂ emissions*2	-	Approximately 7 million tons	Approximately 70 million tons
Investments	Growth investments*3	-	520 billion yen	1,450 billion yen

*1: Depending on the country's institutional design conditions, etc., and considering shifts in the market, procurement from other companies

*2: Cumulative reductions from fiscal 2017 to 2020 and cumulative reductions from fiscal 2017 to 2030 respectively (compared with FY2016)

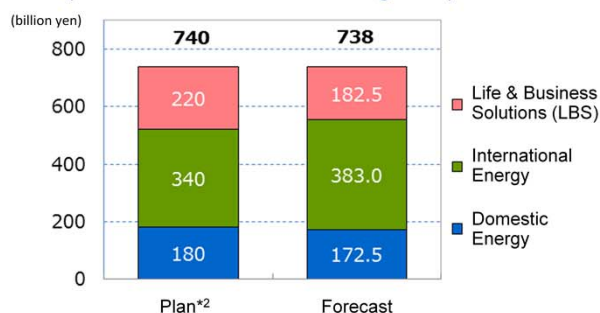
*3: Cumulative total investment from FY2017

		Plan for FY2017	Cumulative total for FY2017 - 2020
Growth Investment, M&A	Domestic Energy	25	200
	International Energy	71	214
	LBS	26	106
	Total	122	520
Quality Improvement Investment		46	180
Total amount of investment		168	700

(Unit: billion yen)

During the period, we started full-scale operation of electric power, international energy and LBS businesses to establish earnings structures outside our gas business in the Kansai region. To prepare for intensifying competition, we promoted diversification of profit sources by strengthening peripheral services and improved cost competitiveness.

Progress in investment plans for the FY ended March 2010 and FY ended March 2017 (8 years)
(on a cumulative decision-making basis)



Cost reductions / staff efficiency improvements
(on an individual basis)

	FY2009 Result	FY2013 Result	FY2016 Forecast
Expenses (billion yen)	186.6	180.9	170.1
Number of employees (including members on secondment)	6,924	6,735	6,044

*2: Previous medium-term management vision "Catalyze our Dreams"

Achievements in the FoD period

Domestic Energy Business

- Active involvement in the power supply construction projects, including renewable power plants utilizing FIT, and entry into the power retail business
- Enhancement of stable gas supply and development of new gas demand by extending trunk pipelines, such as the Himeji-Okayama Gas Pipeline and the Mie-Shiga Gas Pipeline
- Reinforcement of earthquake and tsunami countermeasures in gas supply and manufacture
- Development and sales of ENE FARM Type S (power generation efficiency of 52%, the world's highest level)
- Development and enhancement of peripheral services other than gas and electricity (Sumikata Services, etc.)
- Expansion of business areas for industrial segment by enhancing wholesale business and ESP business



ENE FARM Type S

*1: Previous long-term management vision "Field of Dreams 2020"

Achievements in the FoD period

International Energy Business

- Enhancement of In-house LNG transportation capability by shoring up our own fleet and expansion of LNG trading business
- Participation in upstream projects such as the Gorgon and Ichthys
- Participation in the Freeport LNG project
- Participation in middle and downstream projects such as St. Charles IPP and Erogasmet S.p.A.
- Deployment of retail gas and energy service businesses in Singapore and Thailand



St. Charles IPP in US

Life & Business Solutions Business

<Materials >

- Expansion of business scale through M&A, including the acquisition of Jacobi Carbons



<Real Estate>

- Increase of earnings from leasing business by making investment in real estate properties generating steady profits
- Expansion of condominium sales business and the building maintenance business by improving the product appeal and service level



<IT>

- Increase of development projects by leveraging our strengths in such fields as energy, finance and manufacturing

<Others>

- Selection and concentration of existing businesses, incubation of businesses in new fields, such as the behavior observation business, and entry into the water supply business in the UK