

# Osaka Gas Group's Business Plan for FY 2015.3

March 13, 2014  
Osaka Gas Co., Ltd.

## 1. Priority Tasks for FY 2015.3

The Osaka Gas Group recognizes the fiscal year ending March 31, 2015 (FY 2015.3) as the year of (1) accelerating its efforts to expand existing businesses in growth markets by taking advantage of economic recovery, (2) to further advancing its energy business in accordance with the direction of electricity and gas industry regulatory reforms that will be announced in the future, and (3) to build a firm foundation of the medium-term business plan in the initial year as the first step to realizing the vision of the Group. Based on this policy, the Osaka Gas Group will focus on the following three tasks.

1. Strengthening the gas business.
2. Establishing the next core business.
3. Creating a more solid business foundation.

## 2. Financial Forecast

In FY 2015.3, the Osaka Gas Group is planning to generate revenues of 1,605.5 billion yen, an operating income of 99.5 billion yen, an ordinary income of 100.0 billion yen and a net income of 65.5 billion yen, on a consolidated basis.

	Consolidated			Non-consolidated		
	FY 2014.3 forecast (¥billion)	FY 2015.3 plan (¥billion)	Change (%)	FY 2014.3 forecast (¥billion)	FY 2015.3 plan (¥billion)	Change (%)
Revenues	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	+84.5	21.0	48.5	+131.0
SVA	-2.7	32.9	---	0.4	24.1	---
ROA	2.2%	3.8%	---	1.7%	3.7%	---
ROE	4.6%	8.2%	---	3.6%	8.1%	---

FY 2014.3 forecast was announced on December 20, 2013.

\* Assumption for FY 2015.3 plan: Crude oil price (All Japan CIF price) US\$ 110/bbl, Exchange rate: ¥105/US\$

[Assumption for FY 2014.3 plan: Crude oil price (All Japan CIF price) US\$110/bbl, Exchange rate: ¥100/US\$]

### 3. Gas/Electric Power Sales Plan

In FY 2015.3, Osaka Gas is planning to sell 8,452 million m<sup>3</sup> of gas down by 0.6% from the FY 2014.3 forecast and 8,421 million kWh of electricity up by 1.2% from the FY 2014.3 forecast on a non-consolidated basis.

Gas Sales Volume [Non-consolidated]

1m<sup>3</sup> = 45MJ

Residential	2,215 million m <sup>3</sup> (+0.7%)
Commercial, Public, Medical	1,461 million m <sup>3</sup> (-3.5%)
Industrial	4,296 million m <sup>3</sup> (-0.5%)
Wholesale	479 million m <sup>3</sup> (+3.3%)
Total gas sales volume	8,452 million m <sup>3</sup> (-0.6%)
Number of customers (end of year)	7,162 thousand (+0.5%)

(Consolidated) Gas sales volume	8,483 million m <sup>3</sup> (-0.5%)
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Electricity Sales Volume

Total	8,421 million kWh (+1.2%)
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Figures in parentheses are percent changes from FY 2014.3 forecast.

### 4. Investment Plan

In FY 2015.3, the Osaka Gas Group is planning to invest 164.0 billion yen on a consolidated basis, 54.0 billion yen of which represents capital investments by Osaka Gas Co., Ltd.

(Unit: ¥billion)

			Investments
Upgrading existing businesses			52.0
Energy businesses	Domestic		30.0
	Overseas		52.0
Non-energy ("Life & Business") solutions business			30.0
Investment for expansion, Greenfield and M&A			112.0
Total investments			164.0

(Reference: Among above figures)	
Capital investments on non-consolidated basis	54.0

## 5. Supply Plan for FY 2015.3 through FY 2019.3

### (1) Outlook for gas demand

From FY 2015.3 onward, the Osaka Gas Group anticipates further increase of installed distributed energy systems, such as ENE-FARM for residential use, and natural gas cogeneration systems for commercial use, fuel switching to natural gas, and cultivation of demand along the Himeji-Okayama line that is scheduled to be completed in FY 2015.3. The demand for gas is projected to reach 8,996 million m<sup>3</sup> in FY 2019.3. The average annual growth rate over the 5-year period is estimated to be 1.1%.

(Units: million m<sup>3</sup>, m<sup>3</sup> per month, %)

	FY 2014.3 (forecast)	FY 2015.3	FY 2016.3	FY 2017.3	FY 2018.3	FY 2019.3	Average annual growth FY 2014.3 to FY 2019.3
Residential	-3.2 2,200	0.7 2,215	-0.5 2,204	-0.2 2,200	-0.4 2,191	-0.3 2,184	-0.2
Commercial/ industrial	1.3 5,835	-1.3 5,758	1.5 5,841	2.4 5,982	3.0 6,163	1.0 6,221	1.3
Commercial	-2.1 879	-3.5 848	0.7 854	-0.2 852	-0.2 850	-0.3 848	-0.7
Industrial	2.3 4,320	-0.5 4,296	1.7 4,369	3.0 4,501	4.1 4,684	1.3 4,746	1.9
Public, medical	-0.9 636	-3.5 614	0.7 618	1.8 630	-0.2 629	-0.3 627	-0.3
Subtotal	0.0 8,035	-0.8 7,973	0.9 8,045	1.7 8,182	2.1 8,353	0.6 8,405	0.9
Wholesale	-1.0 464	3.3 479	19.8 574	0.8 579	1.8 589	0.3 591	4.9
Total	0.0 8,499	-0.6 8,452	2.0 8,619	1.6 8,761	2.1 8,942	0.6 8,996	1.1
Gas sales per household	-3.6 31.3	0.3 31.4	-0.7 31.2	-0.3 31.1	-0.4 30.9	-0.3 30.9	-0.3

(Note) Figure in upper left of each box is growth rate from previous year. Sales volumes are based on 45MJ/m<sup>3</sup>, different from the reported value (46MJ/m<sup>3</sup>). Fractions are rounded off in each category.

The Osaka Gas Group expects the number of new gas meter installed within its service area to increase up to around 80 thousand to 100 thousand per year, as shown below.

The year-end number of customers (number of installed meters) will increase to about 7.30 million by the end of FY 2019.3.

(Units: thousand households)

	FY 2014.3 (forecast)	FY 2015.3	FY 2016.3	FY 2017.3	FY 2018.3	FY 2019.3	Average annual growth FY 2014.3 to FY 2019.3
New houses	13.7 99	-4.8 94	-4.2 90	-0.7 90	-5.2 85	-2.7 83	-2.0
Number of customers (end of FY year)	0.6 7,129	0.5 7,162	0.5 7,199	0.5 7,235	0.5 7,270	0.5 7,303	0.5

(Note) Figure at upper-left represents growth (%) from previous year.

## (2) Raw material consumption plan

The Osaka Gas Group estimates that LNG consumption and LPG consumption will reach 7.45 million tons and 0.19 million tons respectively in FY 2019.3 due to an increase in demand. The Group will work to secure LNG and LPG procurement in order to maintain a stable supply.

(Units: thousand tons)

	FY 2014.3 (forecast)	FY 2015.3	FY 2016.3	FY 2017.3	FY 2018.3	FY 2019.3
LNG consumption	7,038	7,024	7,114	7,215	7,437	7,448
LPG consumption	138	147	170	183	162	185

## (3) Capital investment plan

Planned capital investments from FY 2015.3 through FY 2019.3 are mainly for the expansion of production capacity to cope with a future increase in demand, replacement of distribution facilities to ensure safety and a stable supply, and anti-earthquake, anti-tsunami and other anti-disaster projects in production and distribution facilities. In total, these capital investments amount to 257.9 billion yen.

\*Fractions are disregarded in each category. (Units: ¥ billion)

	FY 2014.3 (forecast)	FY 2015.3	FY 2016.3	FY 2017.3	FY 2018.3	FY 2019.3	Average annual growth FY 2015.3 to FY 2019.3
Production facilities	6.1	8.4	10.1	11.9	5.2	3.5	39.3
Distribution facilities	50.9	37.2	40.7	40.6	37.3	39.3	195.3
Operation facilities	4.7	7.7	3.7	3.6	2.4	2.4	20.0
Incidental business facilities	0.1	0.6	1.5	0.7	0.1	0.1	3.3
Total	62.1	54.0	56.2	57.0	45.1	45.4	257.9

### [Major production facility projects]

Facility	Capacity	Location	Scheduled installation
LNG storage facility	230,00 kl	Semboku LNG Terminal No.1 Facility	FY 2016.3
LNG vaporizer	150t/h x2 units*	Himeji LNG Terminal	FY 2017.3 FY 2018.3

\* One of 2 units is installed to replace 2 units (each capacity of 60t/h) that are to be removed.

[Main pipeline projects]

Line Name	Total distance	Section	Scheduled Completion
Himeji-Okayama Line	Approx. 85 km	Himeji City, Hyogo Prefecture to Okayama City, Okayama Prefecture	FY 2015.3
No. 2 East Line	Approx. 11 km	Izumiotu City, Osaka Prefecture to Shijyonawate City, Osaka Prefecture	FY 2019.3