

Osaka Gas Group's Business Plan for FY 2017.3

March 10, 2016
Osaka Gas Co., Ltd.

1. Priority issues in FY 2017.3

Osaka Gas Group will continue its efforts to sustain and strengthen its business growth by capitalizing on the upcoming electricity and gas industry reforms to be implemented at the time of the uncertainties in domestic and global economies and the volatile oil price and exchange rate. In particular, we are taking actions to expand our electricity retail business in the fully deregulated power market starting this April while preparing for the full deregulation of the gas market slated for the fiscal year ending March 2018. In addition to providing reliable supply of city gas, LPG and electricity, we will promote a wide variety of value-added energy services to our customers. In the meantime, we will reinforce our city gas production and supply bases, accelerate the development of new power plants while expanding international energy business and life & business solution (non-energy) business.

2. Financial Forecast

In FY 2017.3, the Osaka Gas Group is planning to generate revenues of 1,170.5 billion yen, an operating income of 85.5 billion yen, an ordinary income of 78.0 billion yen and a net income of 52.0 billion yen, on a consolidated basis.

	Consolidated			Non-consolidated		
	FY 2016.3 forecast (¥billion)	FY 2017.3 plan (¥billion)	Change (%)	FY 2016.3 forecast (¥billion)	FY 2017.3 plan (¥billion)	Change (%)
Net sales	1,339.0	1,170.5	-12.6	1,045.0	887.0	-15.1
Operating income	145.5	85.5	-41.2	108.0	47.5	-56.0
Ordinary income	135.0	78.0	-42.2	113.0	57.5	-49.1
Net income	92.5	52.0	-43.8	81.5	45.0	-44.8
SVA	59.8	23.4	---	58.2	24.1	---
ROA	5.0%	2.8%	---	5.8%	3.1%	---
ROE	10.1%	5.4%	---	12.2%	6.3%	---

* Assumption for FY 2017.3 plan: Crude oil price (All Japan CIF price) US\$ 40/bbl (April-September, 2016),

US\$45/bbl(October 2016-March 2017), Exchange rate: ¥120/US\$

[Assumption for FY 2016.3 plan: Crude oil price (All Japan CIF price) US\$51/bbl, Exchange rate: ¥121/US\$]

3. Gas/Electric Power Sales Plan

In FY 2017.3, the Osaka Gas Group is planning to sell 8,447 million m³ of gas, up 5.0% from the FY 2016.3 forecast on a non-consolidated basis and 7,553 million kWh of electricity, down 13.0% from the FY2016.3 forecast on a consolidated basis in domestic businesses.

Gas Sales Volume [Non-consolidated]		1m ³ = 45MJ
Residential	2,127 million m ³	(+0.9%)
Commercial, Public, Medical	1,464 million m ³	(+3.1%)
Industrial	4,373 million m ³	(+7.9%)
Wholesale	483 million m ³	(+3.7%)
Total gas sales volume	8,447 million m ³	(+5.0%)
Number of customers (end of year)	7,298 thousand	(+0.7%)

(Consolidated) Gas sales volume	8,480 million m ³	(+4.9%)
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Electricity Sales Volume [Consolidated in domestic businesses]

Total	7,553 million kWh	(-13.0%)
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Figures in parentheses are percent changes from FY 2016.3 forecast.

4. Investment Plan

In FY 2017.3, the Osaka Gas Group is planning to invest 201.5 billion yen on a consolidated basis, 51.7 billion yen of which represents capital investments on a non-consolidated basis.

(Unit: ¥billion)

		Investments
Upgrading existing businesses		51.5
Energy businesses	Domestic	32.5
	International	75.5
Life & Business solutions (Non-energy) businesses		42.0
Investment for expansion, Greenfield and M&A		150.0
Total investments		201.5

5. Supply Plan for FY 2017.3 through FY 2021.3

(1) Outlook for gas demand

From FY 2017.3 onward, Osaka Gas anticipates further increase in the sales of ENE-FARM in the residential sector, the installation of distributed energy systems such as natural gas cogeneration systems and fuel switching to natural gas in the commercial/industrial sector and cultivation of demand. The demand for gas is projected to reach 8,470 million m³ in FY 2021.3. The average annual growth rate over the 5-year period is estimated to be 1.0%.

(Units: million m³, m³ / month, %)

	FY 2016.3 (forecast)	FY 2017.3	FY 2018.3	FY 2019.3	FY 2020.3	FY 2021.3	Average annual growth FY 2016.3 to FY 2021.3
Residential	-3.6 2,108	+0.9 2,127	-2.7 2,069	-1.2 2,045	-1.0 2,024	-2.0 1,984	-1.2
Commercial/ industrial	-2.2 5,474	+6.6 5,837	-1.0 5,779	+1.0 5,837	+1.1 5,902	+0.8 5,951	+1.7
Commercial	-2.1 839	+2.7 862	-0.4 859	+0.1 860	+0.8 867	+0.1 867	+0.7
Industrial	-1.9 4,053	+7.9 4,373	-1.2 4,320	+1.3 4,375	+1.2 4,426	+1.1 4,473	+2.0
Public, medical	-4.4 581	+3.6 603	-0.3 601	+0.3 602	+1.2 610	+0.1 611	+1.0
Subtotal	-2.6 7,583	+5.0 7,964	-1.5 7,848	+0.4 7,882	+0.6 7,927	+0.1 7,935	+0.9
Wholesale	-1.7 466	+3.7 483	-0.2 482	+10.4 532	+0.9 537	-0.5 534	+2.8
Total	-2.5 8,049	+5.0 8,447	-1.4 8,330	+1.0 8,414	+0.6 8,464	+0.1 8,470	+1.0
Reference * (Corrected Total)	-2.8 8,090	+5.0 8,495	-0.1 8,484	+1.0 8,568	+0.6 8,618	+0.1 8,624	+1.3
Gas sales per household	-4.1 29.7	+0.1 29.7	-2.7 28.9	-0.9 28.7	-1.0 28.4	-1.8 27.9	-1.2

* Corrected Total: corrected by adding the 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

(Note) Figure at upper left of each box represents growth rate (%) from previous year. Sales volumes are based on 45MJ/m³, different from the reported value (46MJ/m³). Fractions are rounded off in each category.

Osaka Gas expects the number of new gas meter installed within its service area to increase up to around 90 thousand to 110 thousand per year, as shown below.

The year-end number of customers (number of installed meters) will increase to about 7.48 million by the end of FY 2021.3.

(Units: thousand households)

	FY 2016.3 (forecast)	FY 2017.3	FY 2018.3	FY 2019.3	FY 2020.3	FY 2021.3	Average annual growth FY 2016.3 to FY 2021.3
New houses	+2.5 108	+0.4 109	-2.2 106	-9.5 96	-1.7 95	-3.6 91	-3.4
Customers (end of FY year)	+0.7 7,248	+0.7 7,298	+0.7 7,347	+0.6 7,391	+0.6 7,435	+0.6 7,477	+0.6

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

(2) Raw material consumption plan

Osaka Gas estimates that LNG consumption and LPG consumption will reach 7.0 million tons and 0.23 million tons respectively in FY 2021.3 due to an increase in demand. Osaka Gas will continue working to secure LNG and LPG procurement in order to maintain a stable supply.

(Units: thousand tons)

Consumption category	FY 2016.3 (forecast)	FY 2017.3	FY 2018.3	FY 2019.3	FY 2020.3	FY 2021.3
LNG	6,756	7,033	6,942	6,948	7,007	6,997
LPG	114	149	165	194	230	234

(3) Capital investment plan

Planned capital investments from FY 2017.3 through FY 2021.3 are mainly for the maintenance of pipeline network to cope with a future increase in demand, the expansion and the replacement of distribution facilities to ensure safety and a stable supply, and the construction of anti-disaster structure especially against earthquake and tsunami in production and distribution facilities. In total, these capital investments amount to 226.1 billion yen.

*Fractions are rounded down in each category. (Units: ¥ billion)

Facility category	FY 2016.3 (forecast)	FY 2017.3	FY 2018.3	FY 2019.3	FY 2020.3	FY 2021.3	Total (From FY 2017.3 onward)
Production	13.6	7.0	5.2	5.7	4.5	6.2	28.8
Distribution	35.1	35.6	36.2	35.7	35.1	34.9	177.7
Operation	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
Total	54.0	51.5	45.0	44.0	42.1	43.3	226.1

[Major production facility plan]

Facility	Capacity	Location	Scheduled installation
LNG vaporizer	150t/hour x2 units	Himeji LNG Terminal	FY 2017.3 FY 2020.3
	150t/hour	Senboku LNG Terminal No.1 Facility	FY 2021.3

[Main pipeline plan]

Pipeline	Total distance	Section	Scheduled Completion
No. 2 East pipeline	Approx. 6 km	Izumiotu City, Osaka Prefecture to Sayama City, Osaka Prefecture	FY 2020.3
Himeji East-West connecting pipeline	Approx. 4 km	Himeji City, Hyogo Prefecture	FY 2021.3
Amagasaki-Seishin pipeline	Approx. 50 km	Amagasaki City, Hyogo Prefecture to Kobe City, Hyogo Prefecture	FY 2027.3