

Business Plan for FY2021.3 of Daigas Group

March, 2020

Osaka Gas Co., Ltd.

Pursuing the Creation of Value for Stakeholders

Taking on challenges
to go beyond boundaries and change what is “normal”

[Key Actions]

- ① Complete the execution of Medium-term Management Plan 2020
 - Meet and exceed the targets set in the Medium-term Management Plan.
- ② Promote initiatives for sustainable growth
 - Take on challenges to achieve more robust growth for FY2022.3 and beyond with a mid-to long-term perspective.
- ③ Build a flexible and resilient business foundation

Enhanced Organization: Servicing Customers through Closer Customer-Oriented Approach

- We aim to enhance the group-wide operational synergies and speedy response to customers by launching Core Energy Business Companies and integrating the head office organizations to better service customers in closer communication.

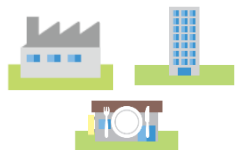
Create value for customers

Residential customers



Provide customers with solutions for their safe and comfortable use of home energy and services

Non-residential customers



Provide customers with solutions for their higher business efficiency and productivity with one-stop services

LNG terminals and power plants



Contribute to low carbonization by utilizing advanced O&M*, engineering technologies, renewable energy and natural gas

Enhance operational synergies and speedy one-stop services

Corporate
Headquarter Divisions

* Operations and Maintenance

- Strengthen functions of ESG promotion, investment risk management, and compliance through reorganization and integration.
- Improve operational quality by consolidating common functions of the Group into Osaka Gas Business Create Co., Ltd., a business services company.

Launch Core Energy Business Companies and establish Energy Solution Business Unit

OSAKA GAS MARKETING

Energy Solution Business Unit

- ① Accelerate business in growth areas
- ② Allocate management resources optimally in light of market situations

Daigas Energy

Daigas G&P Solution



<New Communication Message Ad>

ぐっとそばで、ぐぐっとミライ**

**Better servicing customers in closer communication for a brighter tomorrow

Energy Marketer Business: Achieving Growth through Energy Solutions with Digital Technology

- We aim to achieve business growth as an Energy Marketer who continues to be the first choice of customers in solutions of energy supply and services combined with digital technologies.

To Residential Customers ► for their safe and comfortable use of home energy services

- Provide optimal solutions of gas and electricity supply combined with **<Diverse rate menu>** **NEW**
ENE-FARM, Sumikata Services, Renovation and IoT services, etc.
- Launch a new electricity rate plan SUMARMORU Leasing Plan for rented houses and apartments while also offering Style Plan and With Plan.  スマートで安心なお部屋へ
- Promote the wider use of IoT-compatible gas appliances and enhance the value of My Osaka Gas services.
- Promote the wider use of new ENE-FARM, the program to purchase surplus electricity from ENE-FARM, and the program to purchase surplus electricity from photovoltaic panel users who completed FIT program. **< New product of ENE-FARM types >** **NEW**

 - Higher power generation efficiency and installability
 - Enhanced usability with new features e.g. Tsunagaru switch*

*Choice and assign functions to the remote control from the application

To Non-residential Customers ► for their higher business efficiency and productivity

- Provide total utility solutions including gas and electricity supply, water treatment, maintenance, IoT/ICT services, etc., and accelerate the development of new electric power services such as VPP** and Solar PPA.
- Expand solutions that can meet the needs for solving ESG issues, enhancing BCP, etc., through promotion of the wider use of gas air-conditioning and gas cogeneration systems and replacement of coal and heavy oil with natural gas in power generations.
- Expand D-Fire***, manufacturing plant IoT services, and ICT services such as HelloOG! and ekul series.

** VPP: Utilize the power supply and coordination capabilities provided by distributed power sources and customer facilities together.

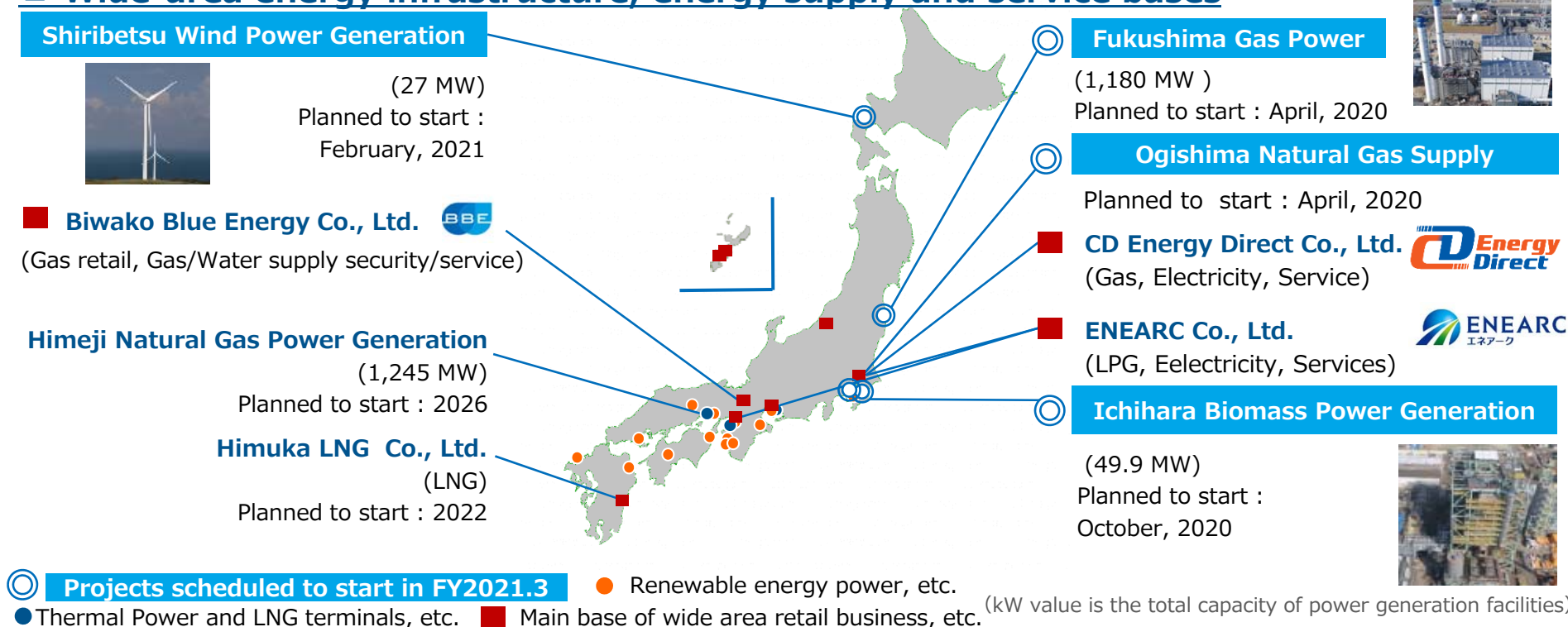
*** D-Fire: A service that support the operation of the entire plant by centrally managing energy data and equipment monitoring data etc.

Wide-Area Energy Business: Developing Competitive Energy Infrastructure, Supply, and Services

- We strive to meet the social needs for low carbonization by developing and rolling out competitive energy infrastructure, energy supply and services nationwide.

- Build competitive and low-carbon energy infrastructures, such as renewable energy power plants and high-efficiency natural gas power plants.
- Expand Wide-Area Business such as LNG sales and energy services, replacement of coal and heavy oil with natural gas in power generations, and solutions of energy supply combined with engineering services for fuel conversion for industrial furnaces and ships, etc.
- Launch value chain operations in the Greater Tokyo area, including natural gas supply in Ogishima and thermal power generation in Fukushima.

■ Wide-area energy infrastructure, energy supply and service bases



Pipeline Network Operator Business: Starting Operations and Enhancing Network Resilience

- We prepare for anticipated changes in the business environment such as legal separation, and enhance resilience of the pipeline network for stable supply of gas and higher standards of security and disaster prevention.

Actions to achieve independence and growth of Network Company

- Set the direction for legal separation and begin necessary procedures.
- Improve operational efficiency to become a streamlined and resilient business and promote initiatives for growth of peripheral businesses.

Actions to enhance resilience of gas distribution facilities for gas supply security and stability, speedy recovery from disasters, and efficient business operations

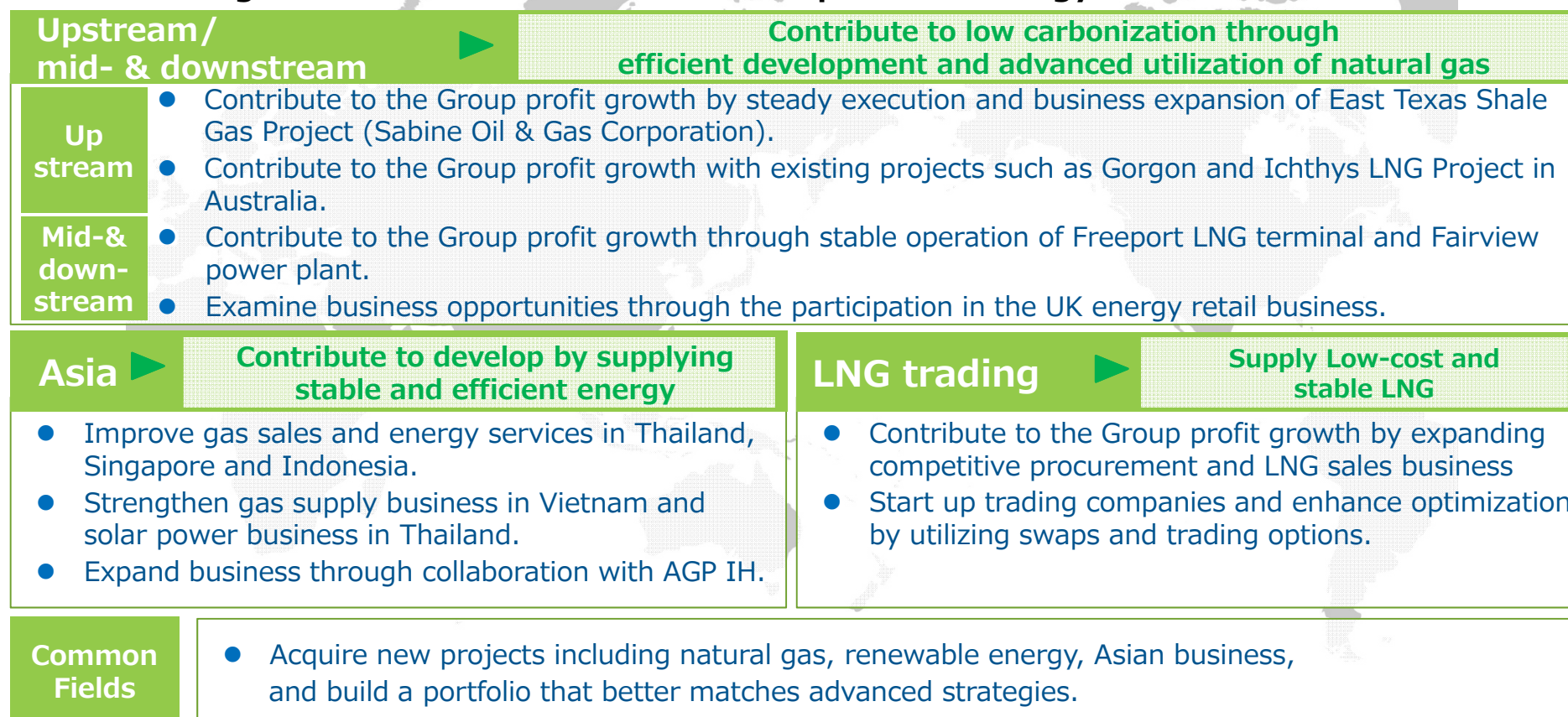
- Solve aging pipeline issues for the execution of the advanced gas safety plan.
- Enhance capabilities of early recovery from disasters such as earthquakes, typhoons, and heavy rains.
⇒ Maximize the number of customers with uninterrupted gas supply even in case of disasters, by segmentalizing supply blocks, etc., and take preventive measures against flooding of governors.
- Build supply facilities that improve supply stability, e.g. construction of Amagasaki – Kumiyama Line.
- Develop technologies to improve efficiency
⇒ Improve efficiency in surveying by using location information.
- Accelerate recruitment and development of human resources to strengthen the construction management system.



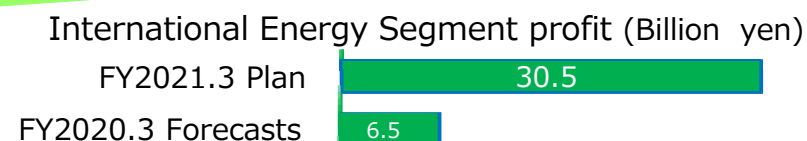
Solving ageing pipe issues

International Energy Business: Advancing to Higher Stages and Promoting Sustainable Growth

- We promote the advancement and sustainable growth of International Energy Business, which has started to yield significant returns on our invested assets.
- We enhance our competitiveness in LNG procurement and increase profit from optimization in LNG sales business.
- We leverage our value chain know-how to expand our energy business in Asia.



Significant increase in International Energy Business profit with smooth operation of shale gas development business, Freeport LNG project, etc.



Life & Business Solutions Business: Expanding Existing Business and Developing New Business by M&A

- We aim to expand our existing LBS businesses and develop new ones by M&A to promote the Daigas Group's sustainable growth and increase the value for stakeholders.

<Real Estate> 	► Provide space for comfortable, healthy, and high-quality living and productivity-enhancing offices - Acquire new projects taking advantage of strengths and improve profitability of existing projects in Osaka Gas Urban Development Co., Ltd. and Prime Estate Co., Ltd., the leasing and sales businesses. - Increase the number of construction orders from the outside of the Group in building maintenance business with OGFA's comprehensive FMS* proposals. - Promote steady development of the #10 Building in the research park business. * Facility management services
<Materials> 	► Enhance the quality of and the convenience in living with highly functional materials - Develop new fields and shifts to high-profit products in Osaka Gas Chemicals Co., Ltd. - Achieve business growth by making an investment in equipment and expand product lineup through R&D collaboration in Jacobi Carbons AB. - Improve manufacturing capacity for SILTON JC and develop new markets such as refiners for functional foods in Mizusawa Industrial Chemicals Group.
<IT> 	► Contribute to the advancement of businesses and individuals in the digital age. - Expand service such as IoT, cloud, and authentication areas. - Improve commodities of Sakura Information Systems and Ube Information Systems. - Expand SAP Consulting business through Agnie Consulting.

Innovation: Focusing on Digital Transformation and Low-Carbon Technology

- We accelerate digital transformation to create services that exceed customer expectations while increasing the use of renewable energy and developing low-carbon technologies to contribute to CO2 reduction.

Products and services that exceed the expectations of customers and society

Improve products and services

- **ICT/IoT services**

- Residential segment: Install Tsunagaru Switch in ENE-FARM and expand IoT-compatible gas appliance lineup.
- Non-residential segment: Expand HelloOG! and ekul series, and introduce AI diagnosis to prevent mechanical failure.



- **Electric power services**

- Provide VPP electricity using customer facilities and electricity with environmental value, e.g. Solar PPA, etc.

- **New businesses**

- Utilize open innovation and new business idea creation program.

Accelerate Digital Transformation

- **Business transformation with digital technology**

- Create new value using data, AI, IoT, etc.
- Improve productivity through process review, RPA, etc.

- **Digital transformation promoting regime**

- Expand data utilization at Business Analysis Center.
- Develop and increase digital human resources.

Promote R&D

- **Low-carbon & hydrogen technologies**

- Broaden renewable energy application, e.g. power generation forecast, storage control, etc.
- Carbon neutral methane
- Expand the hydrogen production equipment (HYSERVE)

- **Advanced technology to create value**

- Develop new materials technology

ESG Management: Contributing to Meeting Sustainable Development Goals

- **We pursue ESG conscious management to continue winning stakeholder confidence.**
- **We contribute to meeting the Sustainable Development Goals (SDGs) while aiming for sustainable growth of our business.**

Environment-conscious management : carry out activities to reduce CO2 emissions by 70 million tons*

- Introduce fuel cells, Co-generation, renewable energy sources, etc., in our energy business.
- Further enhance the power generation efficiency of ENE-FARM, which is already the world's highest, reduce hydrogen producing equipment costs, and develop technologies for the effective use of CO2.

* Cumulative reductions from FY2018.3 to FY2031.3, including contributions to reductions at customers and overseas

Society-conscious management

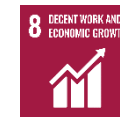
- Identify social risks in businesses including our partners in Japan and overseas, and carry out activities to promote human rights and appropriate labor practices.
- Remain a healthy and sound corporate group by continuing work-style reforms.
→Expand work-from-home and, make business reforms through digitalization such as RPA, etc., and revise existing operations, etc.

Governance enhancement

- Carry out PDCA activities and information disclosure based on business environment changes and indexes set with stakeholders.
→Maintain the high rate status assessed by investors in Japan and overseas, and third-party agencies, etc.
(We were selected for inclusion in the Dow Jones Sustainability World Index for the third consecutive year and for inclusion in the Asia Pacific Index for the eleventh consecutive year in 2019.)
- Enforce fair business practices, promote women's empowerment and work place diversity, and enhance information security including taking cyber security measures.

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

Contribution to the Sustainable Development Goals (SDGs)



Financial Plan for FY2021.3

- In FY2021.3, we planned for consolidated net sales of 1,493 billion yen and ordinary profit of 100 billion yen. It is expected to increase by 19 billion yen from FY2020.3 forecasts.

	Consolidated			(Reference) Medium-term Management Plan		Segment profit	
	FY2020.3 Forecasts (billion yen)	FY2021.3 Plan (billion yen)	Rate of change (%)			FY2020.3 Forecasts (billion yen)	FY2021.3 Plan (billion yen)
Net sales	1,419.0	1,493.0	+5.2	---	Domestic energy / Gas	51.5	39.5
Operating profit	84.0	91.0	+8.3	---	Domestic energy / Electricity	7.0	11.0
Ordinary profit	81.0	100.0	+23.5	---	International Energy	6.5	30.5
Profit attributable to owners of parent	51.0	73.0	+43.1	---	Life & Business Solutions	20.0	22.5
ROA	2.4	3.3	---	3.5			
ROE	5.0	7.1	---	7.0			
EBITDA	173.2	200.0	+15.5	200.0			

<FY 2021.3 financial plan is based on following assumptions.> Crude oil price (all-Japan CIF price): 65 dollars per barrel, Exchange rate: 110 yen per dollar

	FY2020.3 Forecasts	FY20201.3 Plan	Rate of change (%)
Gas Sales Volume (Non-consolidated)	7,560 million m ³	7,322 million m ³	▲3.1
Consolidated electricity sales volume (Domestic)	13,172 GWh	16,567 GWh	+25.8

Investment Plan for FY2021.3

- In FY2021.3, we planned of 256 billion yen for quality improvement investment of 66 billion yen and growth investment of 190 billion yen.

			(billion yen)	
			FY2020.3 Plan	FY2021.3 Plan
Investment for quality improvement			66.0	66.0
Growth Investment			180.0	190.0
	Energy Business	Domestic	50.0	85.0
		International	87.0	50.0
	Life & Business Solutions		43.0	55.0
Total			246.0	256.0
(included number) Capital expenditures			145.0	203.0



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.