

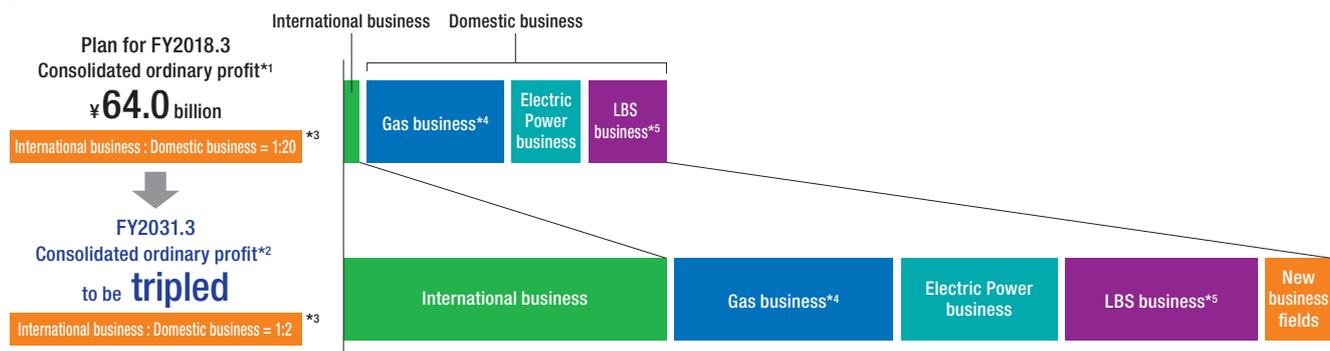
Efforts to Become “What We Aim To Be in FY2031.3”

Daigas Group’s Long-term Management Vision and Medium-term Management Plan “Going Forward Beyond Borders”
Daigas Group’s Long-term Management Goals (Priority Management Issues): Basic Approach

<p>1 Expand Business Domains and Services</p>	<ul style="list-style-type: none"> Realize growth in each of the following business domains and build strong business structures that are resistant to business risks such as oil price fluctuations. [Domestic Energy: Gas manufacturing and sales / Gas distribution / Electric power generation and sales / New business fields] [International Energy: International upstream and trading / International middle and downstream] [LBS: Real estate / Materials / IT / New business fields and others] Provide not only city gas, but high-quality services through the Daigas Group to boost profits including electricity and LPG supply, life support, and business support. Further promote business development in a broader area in Japan and strategic areas overseas.
<p>2 Ensure Reliability and Safety as Energy Professionals</p>	<ul style="list-style-type: none"> Promptly incorporate leading edge technology while continually advancing commercialization of proprietary technology and progressing with efforts for new initiatives to provide reliable, safe, and high-quality services in an uninterrupted manner.
<p>3 Earn Trust through Enhanced Corporate and Business Qualities</p>	<ul style="list-style-type: none"> Engage in high-quality business activities that are constantly chosen by customers, compliance-conscious, and environmentally-friendly, sustainable.
<p>4 Enhance Corporate Value</p>	<p>Improve asset efficiency and capital efficiency</p> <ul style="list-style-type: none"> Continue working to raise profitability with an aim of EBITDA*¹, ROE, and ROA improvement. <hr/> <p>Shareholder returns</p> <ul style="list-style-type: none"> Decide on other measures of shareholder return such as share buybacks with a comprehensive view on various factors including business performance and future management plans while maintaining stable dividends. Aim to maintain a consolidated dividend payout ratio of 30% or higher excluding short-time fluctuation factors that affect profits, within the amount available for distribution to Osaka Gas shareholders. <hr/> <p>Maintain financial soundness</p> <ul style="list-style-type: none"> Manage risks quantitatively while maintaining a shareholders’ equity ratio of approximately 50% and a D/E ratio of approximately 0.7 over the medium- to long-term.

*1 EBITDA = operating profit + depreciation cost + amortization of goodwill + equity in earnings/losses of affiliates

What We Aim to Be in FY2031.3



*1 Crude oil price of \$55/barrel; exchange rate of ¥115/\$1 *2 Crude oil price of \$70/barrel; exchange rate of ¥115/\$1 *3 On the basis of consolidated ordinary profit
*4 Gas business profit includes sales of equipment and LNG, etc. *5 Life & Business Solutions

The Daigas Group's Long-term Management Goals: Specific Target Values

Long-term target items		Performance 2018.3	Medium-term management plan 2021.3	Long-term management vision 2031.3
Expand business domains	Energy source procurement capacity*1	3,300 MW		9,000 MW
	Renewable energy power source capacity (Of the above)	—	—	1,000 MW
	Number of customer accounts	8.27 million	—	10.00 million or more
	Scale of natural gas business	10.30 million t	—	17.00 million t
Quality improvement	Customer satisfaction at each contact point	92.5%	94.0%	95.0%
Security and safety	Ensure security and safety of gas pipelines, gas manufacturing and power generation business	Maintain the status of zero serious accidents		
Environment/CSR	Reduction amount of CO ₂ emissions*2	0.61 million t	Approx. 7.00 million t	Approx. 70.00 million t
Investment*3	Total investment	¥115.4 billion	¥700.0 billion	¥2,000.0 billion
	Growth investment	¥73.3 billion	¥520.0 billion	¥1,450.0 billion
	Domestic energy	¥31.4 billion	¥200.0 billion	¥520.0 billion
	International energy	¥23.6 billion	¥214.0 billion	¥550.0 billion
	Life & Business solutions	¥18.1 billion	¥106.0 billion	¥380.0 billion
	Quality improvement investing	¥42.1 billion	¥180.0 billion	¥550.0 billion
Profitability	EBITDA	¥167.1 billion	¥200.0 billion	—
	ROE	3.8%	7.0%	—
	ROA	2.0%	3.5%	—

*1 Shifting to procurement from markets or other companies can be considered depending on the circumstances in systems and regulations imposed by the national government.

*2 Total reduction amount for the period from FY2018.3 to FY2021.3 and the period from FY2018.3 to FY2031.3 (compared to FY2017.3)

*3 Total investment amount for the period from FY2018.3 to FY2021.3 and the period from FY2018.3 to FY2031.3

Business Risks

The following are examples of risks that can affect business performance and financial conditions of the Group. Matters concerning the future as stated are based on the Daigas Group's judgment and assumptions as of March 31, 2018.

(1) Risks Related to All Businesses within the Group

1) Changes in economic, financial, and social conditions as well as market contraction

A decrease in net sales, difficulties in fund-raising, insolvency of partner companies, Japan's shrinking population or the transfer of manufacturing overseas, due to worsening economic, financial, and social conditions in the economies of Japan and/or other countries

2) Changes in foreign exchange rates and borrowing rates

3) Occurrence of catastrophic disasters, accidents, or infectious diseases

Occurrence of catastrophic natural disasters, terrorist events, accidents, or infectious disease epidemics such as new strains of influenza or other diseases

4) Changes in international rules, politics, laws and regulations, and institutional systems

Changes in international rules concerning the environment, the public, and corporate governance, as well as changes in the rules, policies, laws and regulations, and institutional systems in Japan and/or other countries

5) Intensifying competition

Intensified competition with other operators in business areas related to the Group

6) Breakdown or malfunction of critical IT systems

Breakdown or malfunction of critical IT systems, such as systems related to gas production/supply or billing

7) Quality issues with products or services

Expenditures to resolve quality problems relating to products or services handled by the Group or damage to the Group's social reputation thereof

8) Information leaks

External leaks of important information used in the course of the Group's business, including customer information or technical information possessed by the Group

9) Non-compliance with laws and regulations

Damage to social reputation and costs arising following acts carried out by the Group or by any person related to the Group in violation of any law or regulation

(2) Risks Related to Major Businesses

1) Domestic energy business

a. Impact of fluctuations in temperature/water temperature on energy demand

b. Changes in raw fuel costs

Fluctuation in raw fuel costs due to changes in foreign exchange rates, crude oil prices, renewal of contracts and price negotiation trends with fuel suppliers, and other relevant factors

c. Difficulty in procuring raw fuels

Problems with the facilities of LNG (raw fuel from which gas or electricity are produced) suppliers or their operations, or other incidents

d. Difficulties in gas production and supply

Disruption of the production or supply of gas due to catastrophic natural disaster or accidents

e. Difficulties in power generation or supply

Any difficulties in power generation or supply due to a natural disaster, accident, problems with fuel purchasing or other incidents

f. Gas equipment and facility issues

Serious problems with gas equipment or facilities

g. Intensifying competition in the industry and the resulting increase in choices available to consumers

2) International energy business

Changes in the operating environment, such as decreased profitability or project delay or cancellation, resulting from the public policies, implementation of or changes in regulations, deterioration of economic or social conditions, or technical problems in the countries in which the Group operates

The Daigas Group prepares for the above risk by entering into derivative transactions for foreign exchange and materials, etc., purchasing various insurance such as disaster insurance, enhancing the security of core IT systems, thoroughly following compliance and information management protocol, appropriately understanding and supervising the situations of business operations, and formulating and reviewing safety and disaster measures as well as business continuity plans, to mitigate impact on our business in cases where such risks emerge.