

# Osaka Gas Group Long-Term Management Vision and Medium-Term Management Plan [Going Forward Beyond Borders]

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Osaka Gas Co., Ltd.

Osaka Gas Co., Ltd. (President: Takehiro Honjo) has formulated its Long-Term Management Vision 2030, covering the period leading up to fiscal 2030, and Medium-Term Management Plan 2020, covering the four years from fiscal 2017 to fiscal 2020.

## **1. Outline of Long-Term Management Vision 2030 and Medium-Term Management Plan 2020**

### **(1) Establishment of a business domain toward fiscal 2030 and upholding of three "guiding principles" by the Osaka Gas Group toward fiscal 2030**

The Osaka Gas Group has formulated a Long-Term Management Vision and a Medium-Term Management Plan, together called "Going Forward Beyond Borders." The Group aims to contribute to the development of society, local communities and customers by going beyond "customer expectations," "business boundaries" and "corporate boundaries." By doing so, the Group aims to become an innovative energy and service provider which continues to be chosen by customers through successive generations.

The Osaka Gas Group has adopted "a service-first" policy as its corporate motto, while continuing to be a corporate group which can support customers for their "further evolution" in consumer life and business. In its corporate philosophy\*<sup>1</sup>, the Group is committed to creating four values—"value for customers," "value for society," "value for shareholders" and "value for employees." Based on this philosophy, the Group will also cherish "three guide principles" until fiscal 2030 and implement activities to realize the Long-Term Management Vision.

<Three guiding principles>

- 1) The Osaka Gas Group will provide as many customers as possible with high-quality service, developed on the basis of its "service-first" policy.
- 2) Employees of the Osaka Gas Group will continue to be professionals who keep on responding to challenges with innovative ideas.
- 3) The Osaka Gas Group will strive to be a corporate group which continues to be trusted by investors, corporate partners, employees and society.

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

## **(2) How the Osaka Gas Group aims to develop toward fiscal 2030**

The Group aims to triple its consolidated ordinary income from fiscal 2017 to fiscal 2030 by expanding international operations. By fiscal 2030, the group intends to raise the ratio of revenue from overseas business against domestic business—1 to 2. The Group's three major business pillars—"domestic energy business," "international energy business" and "Life & Business solutions (LBS)"—will be realigned into nine business sectors. By supporting growth in each sector, the Group will establish a solid portfolio that can address factors involving uncertainties that may emerge in the future.

## **(3) Efforts to transform into how the Group aims to be in fiscal 2030**

### **1) Responding to energy needs of a new era as an energy marketer**

The Osaka Gas Group is committed to attaining sustainable growth by going beyond "customer expectations," "business boundaries" and "corporate boundaries." Specifically, the Group will expand peripheral services while stepping up its operations outside the Kansai region. By doing so, the Group aims to raise the number of customer accounts being established under contracts to receive Osaka Gas services to more than 10 million by fiscal 2030. Services covered by such contracts include city gas, electricity supply, LPG, the ENE FARM cogeneration system, "Sumikata services (Home services) and Utility Agent contracts\*2.

In the gas business, the Osaka Gas Group will boost retail energy service both in Japan and overseas. The Group will also enhance natural gas-based power generation, operations of LNG terminals and gas trading. By implementing these

measures, the Group aims to raise its natural gas handling to 17 million tons in fiscal 2030.

In the electricity business, the Group will reinforce output capacity not only for power generation from natural gas but also electricity production from renewable energy sources in accordance with retail and wholesale demand for electricity. By fiscal 2030, the Group aims to establish a power-supply portfolio in which output capacity is to be raised to 9,000MW both in Japan and abroad, including power purchases from outside parties such as markets and other companies.

\*2 Trademark registered by OGCTS Co., Ltd. and Osaka Gas Co., Ltd. under which utility facilities (gas, electricity and water supply) are provided to customers for one-stop service

## **2) Acceleration of international energy business**

The Osaka Gas Group positions North America, Asia and Oceania as priority areas, where the Group aims to achieve sustainable growth by taking advantage of the know-how it has acquired through domestic operations and fully utilizing the business methods it has learned through overseas investments including the Freeport LNG terminal project in the United States. The Group will strive to strengthen its earnings from overseas energy businesses by stepping up operations throughout the entire value chain, from upstream to downstream.

## **3) Expansion of LBS business and development of new business fields**

The Osaka Gas Group will promote “organic growth (internal growth)” for its LBS business to foster it as a major business pillar along with the energy business.

The Group will develop new business fields, including cryogenic power generation, industrial gas production, building maintenance, ESCO energy management service, and water treatment and processing. By doing so, the Group aims to establish a new business structure in peripheral fields.

## 2. Business indexes set under Medium-Term Management Plan 2020

Business indexes listed below have been set as a means of supporting growth of the Group's each sector.

① Improvement of assets and capital efficiency	Efforts will continue to improve indexes showing earnings status, including EBITDA* <sup>3</sup> , ROA and ROE. (The Group aims to raise ROA to 3.5%, ROE to 7.0% and EBITDA to 200 billion yen, all in fiscal 2020 on a consolidated basis.)
② Return of profit to shareholders	<p>The Group's basic shareholder policy is to pay dividends in a stable manner. However, other ways of returning part of its profit to shareholders, including the acquisition of treasury shares, will be also considered while comprehensively assessing the current earnings situation and future management plans.</p> <p>The Group aims to raise the consolidated dividend payout ratio to at least 30%, a goal to be achieved within the range of retained earnings owned by the Group's parent firm, Osaka Gas. The figure excludes short-term factors that might influence profit.</p>
③ Maintenance of financial health	The Group will conduct quantitative risk control with a view to keeping shareholders' equity ratio at around 50% and the debt-to-equity ratio—the ratio of interest-bearing liabilities divided by equity capital—at around 0.7, both on a medium- and long-term basis.

\*<sup>3</sup> EBITDA = operating income + depreciation cost + amortization of goodwill + equity in earnings/losses of affiliated companies

The Osaka Gas Group will undertake challenging projects in various fields both in Japan and overseas. By implementing Long-Term Management Vision 2030 and Medium-Term Management Plan 2020, it will strive to become a corporate group which can support customers' "further evolution" in consumer life and business. The Group is committed to making customers' lives comfortable and supporting their business development.

\* Refer to the attached document for details of Long-Term Management Vision 2030 and Medium-Term Management Plan 2020, together called "Going Forward Beyond Borders."