Financial Report for FY2004

(April 2003-March 2004)

April 2004

Osaka Gas Co.,Ltd

Management information is available on Osaka Gas websites.

Financial reports, annual reports and road show materials can be accessed and downloaded at the following URL.
http://www.osakagas.co.jp/ir/index_e.html

Disclaimer

Certain statements contained herein are forward looking statements, strategy and plans, which reflect our judgment based on the information so far available. Actual results may differ materially from those discussed in such statements. Among the factors that could cause actual results to differ materially are: economic trend in Japan, sharp fluctuations in exchange rate and oil prices and extraordinary weather conditions.

Overview of Financial Statements for FY04.3

* : Compared with the previous year

- Consolidated results for FY04.3=>Increases in both sales and profits were achieved for the first time in two years (since FY 02.3.)

Sales	951.3 billion yen	*100.4%	
Operating profit	92.0	107.1%	
Ordinary profit	81.4	125.1%	(Record high)
Net income after tax	47.0	158.5%	(Record high)

- Non-consolidated results for FY04.3=>Increases in both sales and profits were achieved for the first time in three years (since FY 01.3.)

Gas sales volume	7,766 million m3	*101.0%	(Record high)
Sales	729.9 billion yen	101.1%	
Operating profit	67.3	101.3%	
Ordinary profit	64.3	118.8%	
Net income after tax	39.4	155.1%	(Record high)

[Note to the forecast of FY 04.3 performance]

Figures indicated as forecasts of FY 04.3 performance were taken from the financial report of the third quarter of FY 04.2 issued in February 2004.

Review of financial results for FY03.3

- Gas sales volume (non-consolidated) => P8-11
  - While sales to residential, commercial, public, and medical users were negatively affected by unstable temperature changes, overall gas sales volume increased to 7,766 million m^3, an increase of 1.0% over the previous year and 0.2% over the forecast, due to the increase in industrial demand.
- Outline of account closing => P4-6
  - Osaka Gas: (1) Profits increased over the previous year despite the temporary increase in expenses (depreciation and miscellaneous expenses) because valuation and extraordinary losses which had been registered in the previous year did not accrue during FY 04.3. (2) Gas sales increased both over the previous year and over the forecast.
  - Consolidated subsidiaries: In general, profits increased over the previous year.
- Promotion of SVA management and reinforcement of the energy business area => P4,7
  - Realization of positive Shareholders' Value Added (SVA) in consolidated subsidiaries
  - Osaka Gas acquired 35% of the stocks of Nakayama Joint Power Generation Co., Ltd. and Nakayama Nagoya Joint Power Generation Co., Ltd. following the acquisition of 60% of their stocks in the previous year.
  - Installation of pipe lines connecting with Chubu Electric Power Company is under consideration to ensure a stable supply of gas to customers in the Shiga area.
- Financing activities => P7
  - As part of the efforts to improve value for our shareholders, Osaka Gas purchased treasury stocks worth about 20 billion yen during this fiscal year, as well.
  - Consolidated interest-bearing liabilities were reduced by about 38 billion yen.
  - To ensure effective use of assets, Osaka Gas, again, just as in the previous year, entrusted the fund of 39 billion yen allocated for retirement benefits to the management of an outside entity, instead of maintaining the fund as internal reserve.

Results of FY04.3 I

Billion yen, figures in parentheses are ratios of consolidated results to non-consolidated results

	FY03.3		FY04.3				Differences	
	A. Results		B. Forecast		C. Results		C-A	B-A
Sales	(1.31)	947.9	(1.32)	966.0	(1.30)	951.3	+3.3	-14.6
Operating profit	(1.29)	85.9	(1.32)	84.5	(1.37)	92.0	+6.1	+7.5
Ordinary profit	(1.20)	65.0	(1.25)	77.5	(1.27)	81.4	+16.3	+3.9
Net income after tax	(1.17)	29.6	(1.16)	42.5	(1.19)	47.0	+17.3	+4.5
SVA		3.1		22.0		24.8	+21.6	+2.8

Consolidated gas sales	Million m3	7,701	7,761	7,779	+79	+18
Exchange rates	yen/$	122.0	113.3	113.2	-8.8	-0.1
Crude oil price	$/bbl	27.4	29.0	29.4	+2.0	+0.4
Number of consolidated subsidiaries		56	77	77	+21	0

* The forecast of gas sales for FY04.3 by Nabari Kintetsu Gas Co., Ltd. is not available. Therefore, the forecast of consolidated gas sales includes the actual sales results of Nabari Kintetsu Gas Co., Ltd. for the purpose of comparison.

Increase/decrease from the previous year (consolidated)

Units: 100 million yen, increased results display a plus sign

Sales	+33	Gas sales (non-consolidated)	+28	Increase of gas sales	+56
				Tariff revision (Feb.03)	-36
				Influence of oil price and currency exchange rate	+8
		Gas appliances	+56	Recording of sales of large-scale equipment for industrial use	
		Newly consolidated subsidiaries (22), Nakayama IPPs, exception of Harman +81, consolidation adjustment –84			
Operating cost	+27	Gas feedstock cost	-5	Increase of gas sales	-18
				Influence of oil price and currency exchange rate	+13
		Gas appliances	-53	Reflecting the increase of sales	
		Cost increase/decrease (non-consolidated)	+23	Labor cost	+71
				Increase of other expenses (Tsuruga –66)	-48
		Newly consolidated subsidiaries (22), Nakayama IPPs, exception of Harman -45, consolidation adjustment –84			
Operating profit	+61	Non-consolidated+8, consolidated subsidiaries+52			
		Non-operating profit/loss	+102	Loss from valuation of investment in securities posted in the previous year	+143
		Special profit/loss	+107	Extraordinary loss related to early retirement charges posted in the previous year	+132
Net income after tax	+173			Non-consolidated+140, consolidated subsidiaries+37	

Increase/decrease from initial forecast(consolidated)

Units: 100 million yen, increased results display a plus sign

Sales	-146	Gas sales (non-consolidated)	-18	Decrease of residential gas sales	-23
				Influence of oil price and currency exchange rate	+5
		Gas appliances	+20	Increase in the sales of GHP and other air-conditioning units	+18
		Consolidated subsidiaries	+43	NIPG group+20 and others	
		Consolidation adjustment	-189		
Operating cost	+222	Gas feedstock cost	+13	Influence of oil price and currency exchange rate	+9
		Gas appliances	-25	Increase in the sales of GHP and other air-conditioning units	-10
		Increase/decrease of other costs (non-consolidated)	+57	Commitment expense	+28
		Consolidated subsidiaries	-11	Increase in expenses resulting from increase in income	
		Consolidation adjustment	+200		
Operating profit	+75	Non-consolidated+33, consolidated subsidiaries+31			
Net income after tax +45					

Results of FY04.3 II

Consolidated	FY03.3	FY04.3		Differences	
100 million yen	A. Results	B. Forecast	C. Results	C-A	C-B
Total assets	12,096	12,507	11,992	-103	-514
Shareholders' equity	4,532	4,848	4,956	+423	+108
Interest-bearing debt	4,945	5,122	4,557	-388	-564
Capital expenditure	671	809	697	+26	-111
Depreciation	828	884	895	+67	+11
Free cash flow	237	565	732	+495	+167
Number of employees	14,005	14,400	14,444	+439	+44
ROA	2.4%	3.4%	3.9%	+1.5%	+0.6%
ROE	6.4%	9.0%	9.9%	+3.5%	+1.0%
Shareholders' equity ratio	37.5%	38.8%	41.3%	+3.9%	+2.6%
EPS (yen/share)	12.6	18.5	20.6	+8.0	+2.1
BPS (yen/share)	197.3	---	222.2	+24.9	---

The numerators of both ROA and ROE are net income after tax; the denominators are the average of the levels at the beginning and end of the applicable period. In computing the EPS values, the average number of outstanding shares at the beginning and end of the applicable period was used. The diluted EPS is not shown since there were no outstanding convertible bonds or other common stock equivalents.
The number of employees includes employees dispatched to subsidiaries and affiliates, but excludes employees under contract. (Accordingly, the number differs from that reported in the financial reports for the Securities Committee.) Free Cash Flow = cash flow in business operation (operating profit after tax + depreciation expenses and other non-cash expenses) – capital expenditures

Annual gas sales

45MJ/m3		FY03.3	FY04.3		Differences			
		A. Results	B. Forecast	C. Results	C-A		C-B	
Non-consolidated	Number of meters installed at the end of period (thousands)	6,562	6,639	6,634	+1.1%	+72	+0.0%	-5
	Installation of new meters (thousand)	135	131	135		+0		+4
	Monthly gas sales per household (m3/month)	34.5	34.6	34.3	-0.5%	-0.2	-0.9%	-0.3
	Residential use	2,298	2,334	2,304	+0.3%	+5	-1.3%	-30
	Commercial use	986	1,012	986	-0.0%	-0	-2.6%	-26
	Public and medical use	550	570	559	+1.6%	+9	-1.8%	-11
	Industrial use	3,686	3,659	3,735	+1.3%	+49	+2.1%	+76
	Non-residential total	5,222	5,241	5,280	+1.1%	+58	+0.7%	+39
	Wholesale	168	173	182	+8.8%	+15	+5.4%	+9
	(including non-regulated)	(3,562)	(3,571)	(3,620)	+1.6%	(+58)	+1.4%	(+49)
Gas sales total (million m3)		7,687	7,748	7,766	+1.0%	+79	+0.2%	+18
Nabari Kintetsu gas		13	13	13		+0		0
Consolidated gas sales		7,701	7,761	7,779		+79		+18

* The forecast of gas sales for FY04.3 by Nabari Kintetsu Gas Co., Ltd. is not available. Therefore, the forecast of consolidated gas sales includes the actual sales results of Nabari Kintetsu Gas Co., Ltd. for the purpose of comparison.

Residential gas sales

Results for FY04.3

*1 Change from the previous year

*2 Differences from the forecast

	*1	*2	References
Increase of customers	+0.8%	-0.4%	The number of customers increased by 47,000 over the previous year, and was 22,000 lower than predicted
Influence of temperature	-1.1%	-0.7%	Averaged annual temperature 17.2 (+0.3 compared with the previous year) While the temperature was correctly forecast, sales failed to reach their predicted level due to the warm winter (winter being the peak season for residential gas consumption)
Others	+0.6%	-0.2%	The leap year contributed to a 0.3% increase over the previous year
Total	+0.3%	-1.3%	

Forecast for FY05.3

- Annual sales volume is expected to increase 2.4% to 2,358 million m3 from the previous year
- The number of customers projected for FY05.3 was calculated based on the difference between the growth rate of FY 04.3 from FY 03.3 in the number of gas meters installed and the number of customers. (Difference: 0.3%)
- Increased demand mainly for floor heating systems, fan heaters, and other heating equipment will contribute to the sales volume expansion, partially offset by the long-term negative factors.
- The temperature pattern is projected to be the same as the standard temperature (average of the temperature patterns over the past five years)

Commercial, public, and medical gas sales

Results for FY04.3

*1 Change from the previous year

*2 Differences from the forecast

	*1	*2	References
Demand expansion	+6.0%	0.0%	There was a strong demand for air-conditioning units among medical users for both new and renovated buildings.
Influence of temperature	-2.8%	-1.8%	Demand for air-conditioning units declined mainly due to the cool summer
Others	-2.6%	-0.5%	The ordinary level of loss and closure of businesses affected business performance
Total	+0.6%	-2.3%	

Forecast for FY05.3

- Annual sales volume is expected to increase +4.5% to 1,615 m3 from the previous year.
- To develop new customers, we will begin marketing “High Power Multi,” a new energy-saving gas air-conditioning unit that requires less power consumption. We will continue to address the needs for air-conditioning units for renovated buildings by offering “Quick Multi,” to achieve sales figures as high as those of FY 03.3.
- The projection is based on the average of the temperature patterns over the past five years.

Industrial gas sales

*1 Change from the previous year

*2 Differences from the forecast

Results for FY04.3

	*1	*2	References
Demand expansion	+5.5%	+1.4%	The increase is mainly attributable to the growth in demand from existing large volume users
Increase/decrease of plant operation	-4.2%	+0.7%	The decrease over the previous year is due to plant closures, while the increase in the prediction is attributable to favorable economic conditions (+0.6%)
Total	+1.3%	+2.1%	

Beginning this fiscal year, in our analysis of affecting factors, we have decided not to disclose information on gas companies that for the first time, are entering into contracts with Osaka Gas to have gas transported to them through Osaka Gas's pipeline. This is because the Ministry of Economy, Trade and Industry has stopped disclosing such information on its website beginning this year, and also because we have entered into that kind of contract with only one company, and therefore disclosure of the information on the transactions would constitute disclosure of the contractual terms.

Forecast for FY05.3

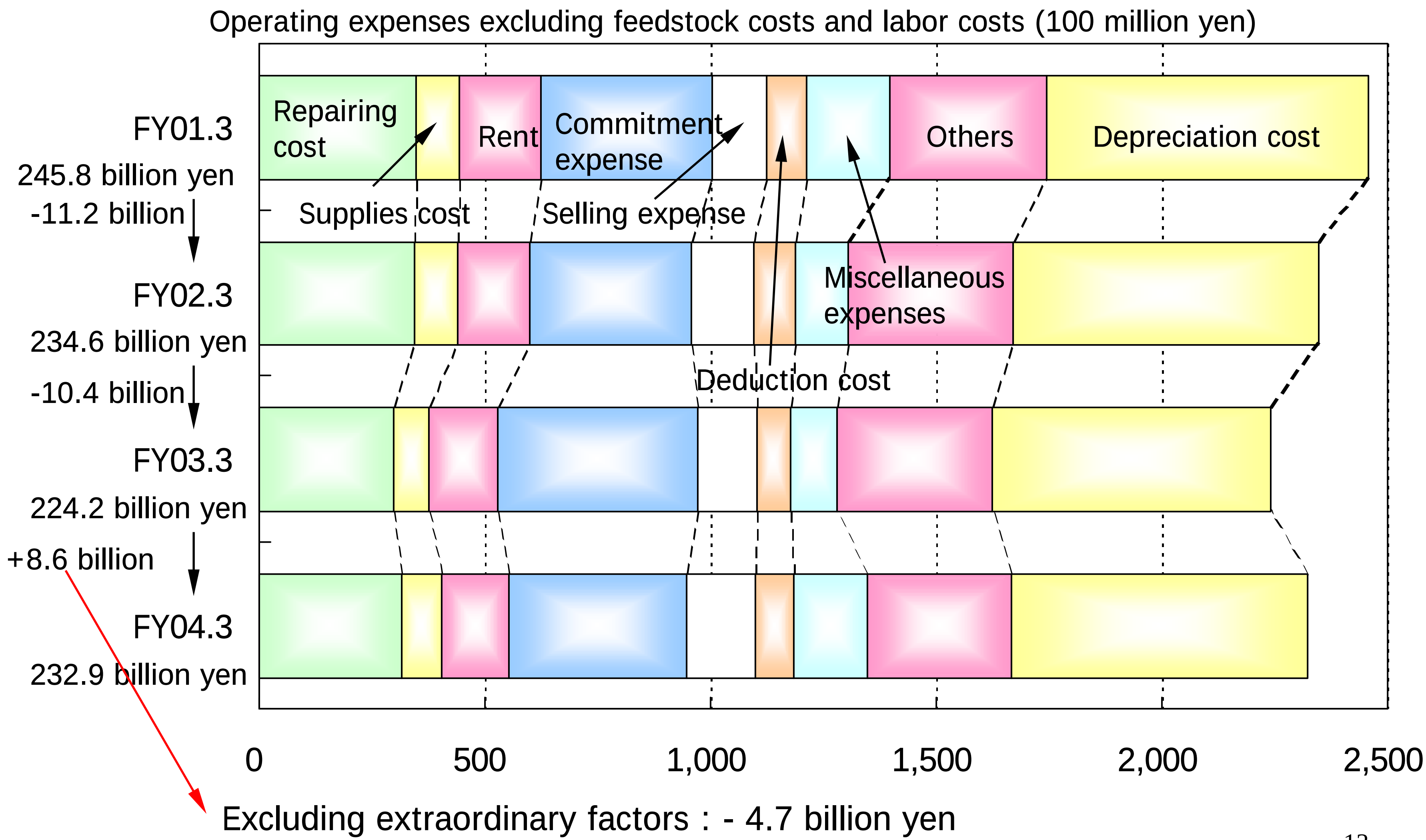
- Annual sales volume is expected to increase 0.1% to 3,738 million m3 from the previous year.
- The forecast of operation of the existing plants is based on the assumption that the current economic recovery will continue
- It is projected that new demand will be created at the same level as the previous year. The shift to other gas suppliers will continue. A certain percentage of existing contracts are projected to shift to other gas suppliers' contracts.

Gas sales forecast

45MJ/m3		A. FY04.3/R	B. FY05.3/E		B-A
Non-consolidated	Number of meters installed at the end of period (thousands)	6,634	6,708		+73
	Installation of new meters (thousand)	135	129		-5
	Monthly gas sales per household (m3/month)	34.3	34.9		+0.6
	Residential use	2,304	2,358	+2.4%	+55
	Commercial use	986	1,015	+3.0%	+30
	Public and medical use	559	600	+7.2%	+40
	Industrial use	3,735	3,738	+0.1%	+3
	Non-residential total	5,280	5,354	+1.4%	+74
	Wholesale	182	308	+68.7%	+125
(including non-regulated)		(3,620)	(3,809)	(+5.2%)	(+189)
Gas sales total (million m3)		7,766	8,020	+3.3%	+253
	Nabari Kintetsu Gas	13	14	+2.6%	+0
	Toyooka Energy	---	5		---
	Sasayama Gas	---	1		---
Consolidated gas sales		7,779	8,039	+3.3%	+260

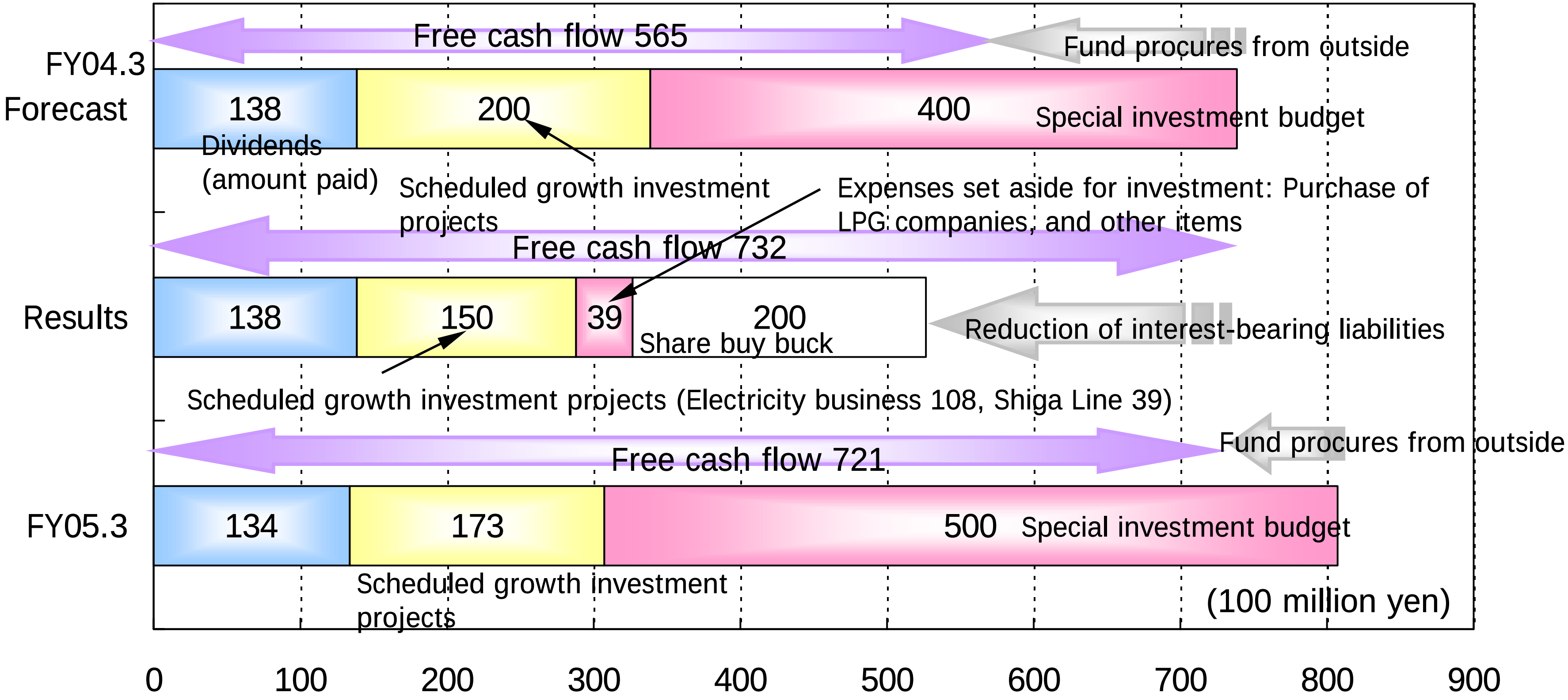
[Note to consolidated gas sales volume] The annual closing month is December for Nabari Kintetsu Gas Co., Ltd. and Sasayama Gas, and March for Toyooka Energy. Unless specifically indicated otherwise, the gas sales volume of Osaka Gas in the Toyooka area is divided into the sales of Osaka Gas up to June 2004 and into Toyooka Energy from July 2004 onward

Operating expenses



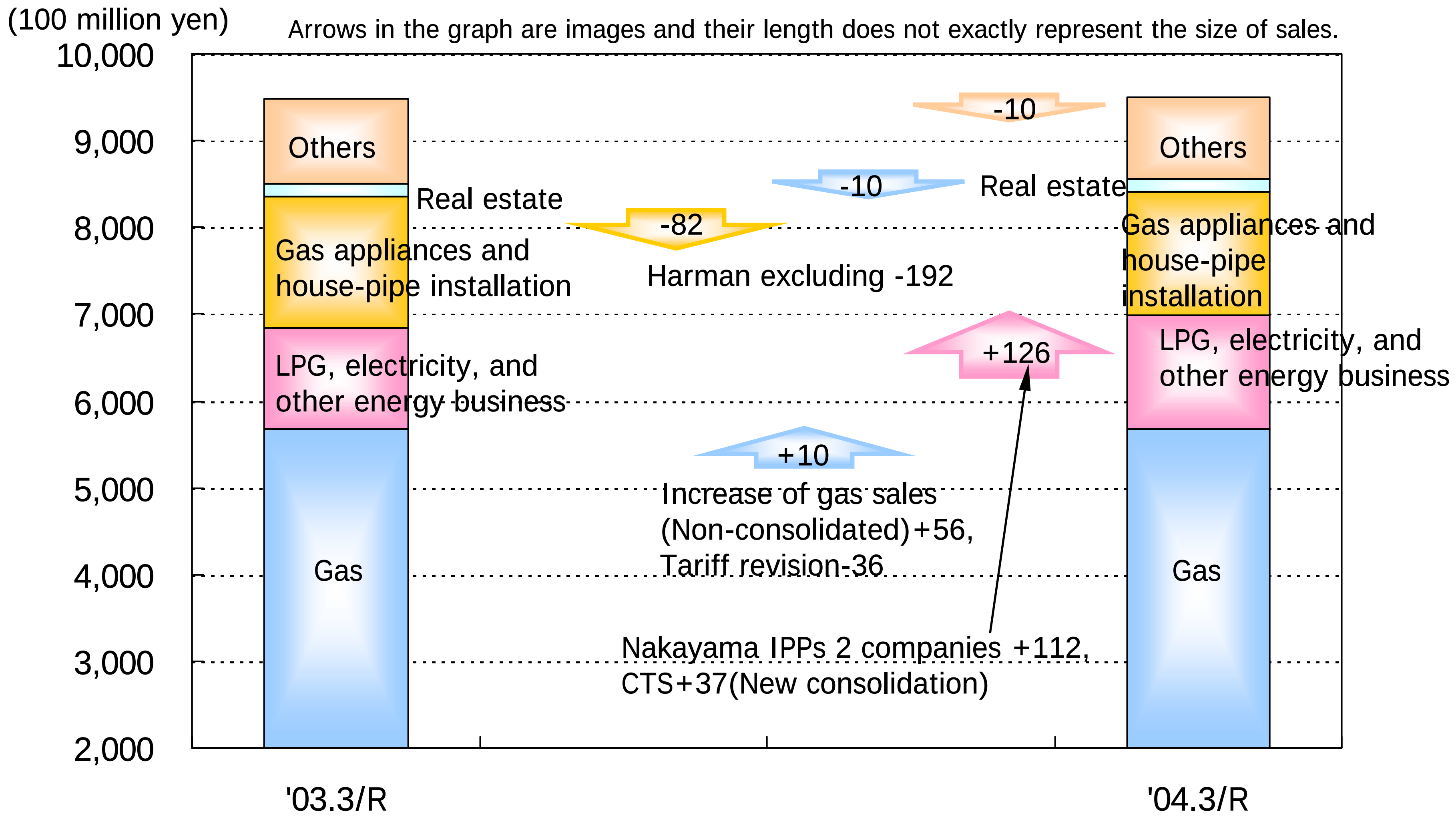
Consolidated free cash flow

- Consolidated free cash flow for FY 04.3 increased by 49.5 billion yen to 73.2 billion yen over the previous year due to the increase in profits, etc.,. The cash was spent for acquisition of treasury stock, additional IPPs, and LPG sales companies, in addition to dividends.
- For FY 05.3, about 17.3 billion yen will be spent on the plans which have been already drawn up, such as laying pipelines in the Shiga area, introducing cogeneration systems to generate surplus electricity for commercial sales, and constructing the Himeji Power Plant. As well, 50 billion yen will be set aside for other investments.



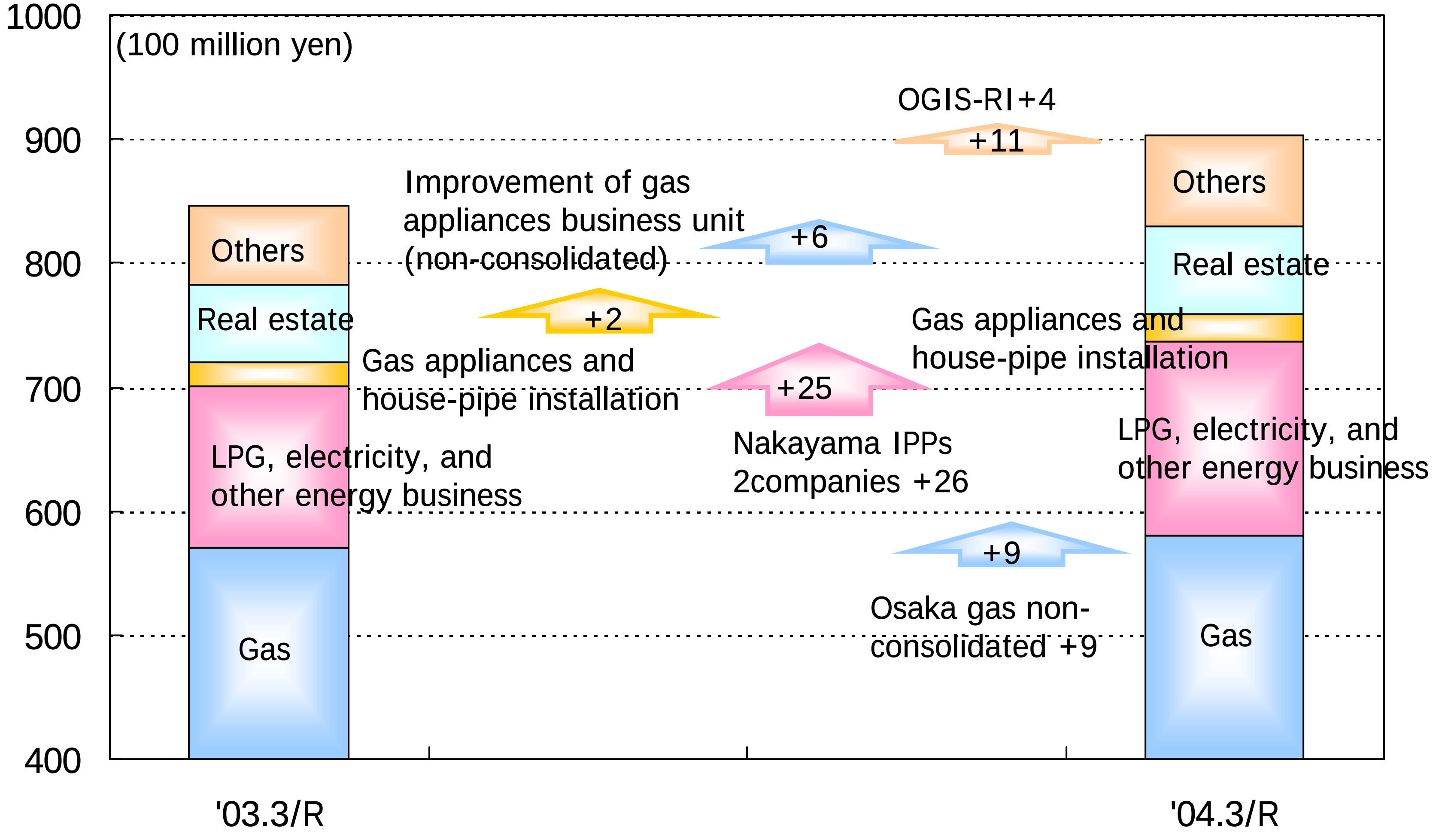
FCF = Cash flow from operating activities - capital expenditures   Capital expenditures do not include growth investments.
Scheduled growth investment projects include capital expenditures and financing/investment projects.

Sales by segments (to customers outside the group)

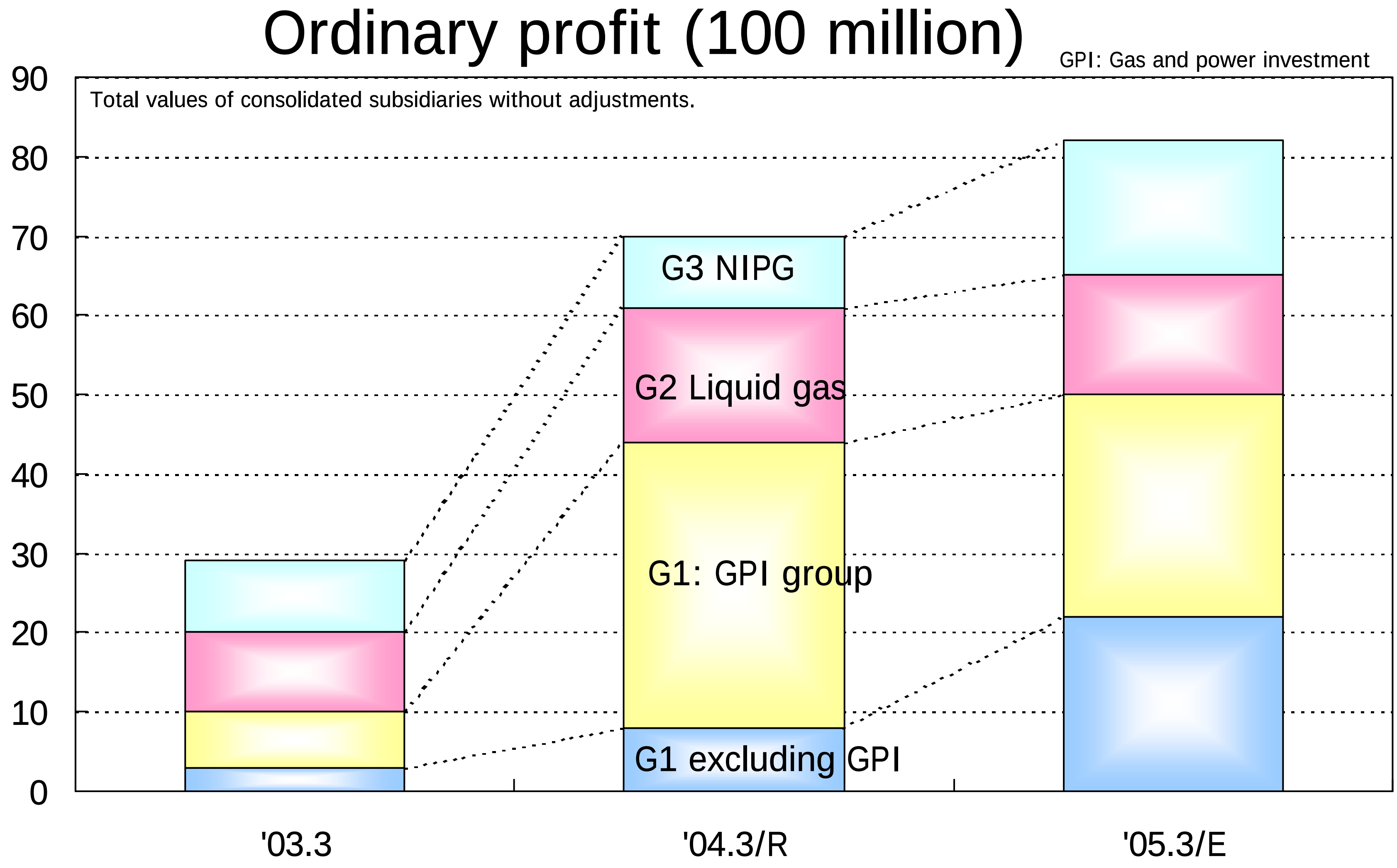


Operating profit by segments

Arrows in the graph are images and their length does not exactly represent the size of sales. The graph below does not reflect the elimination of operating profit of ¥1.5 billion for consolidation.



Overview of energy business 1



Overview of energy business 2

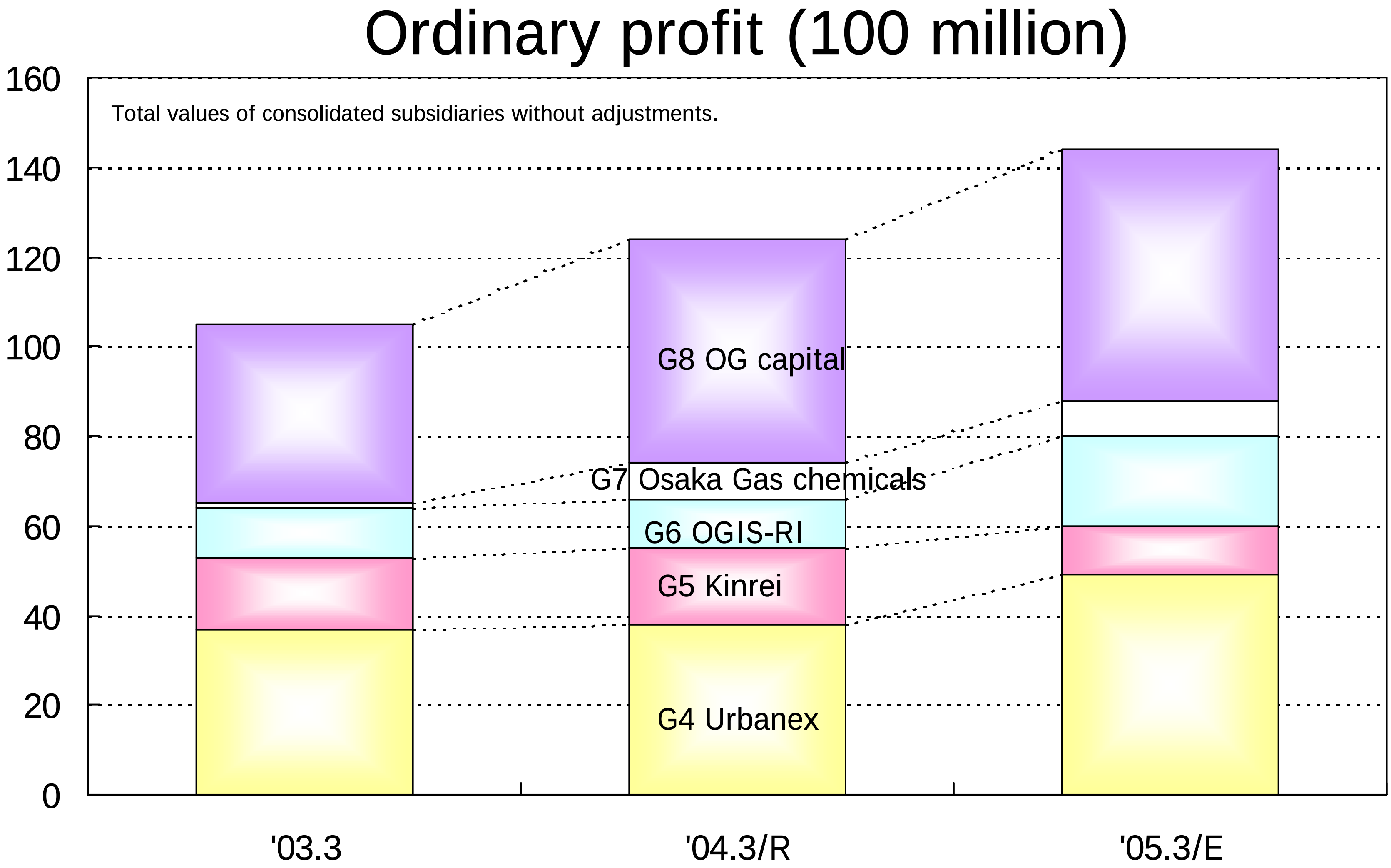
100 million yen

Total values of consolidated subsidiaries without adjustments. Figures in the upper left of columns are changes from the same period of the previous year.

		Sales			Net income after tax			References
		03.3	04.3	05.3	03.3	04.3	05.3	
	GPI	148	+117 255	+22 277	-0	+24 24	-7 17	Two Nakayama companies were included in the consolidation from FY 04.3. A decline in income is projected for FY 05.3 because of purchase of the Uji plant
	Others	589	-111 489	+191 680	9	-13 -3	+11 8	In FY 04.3, Harman Co., Ltd. was excluded from the consolidation, while CTS and other companies were included in the consolidation for the first time.
G1		737	+6 744	+212 957	9	+11 21	+4 25	
G2 Liquid gas		204	+4 209	+17 226	6	+5 11	-2 9	The increase in income in FY 04.3 is attributable to large-scale factory construction. A decline in income is predicted for FY 05.3 due to a decrease in large-scale factory construction.
G3 NIPG		693	-21 672	+135 808	5	-0 4	+5 10	An increase in income and profits is projected for FY 05.3 due to the inclusion of more companies in the consolidation.

NIPG: Nissho Iwai Petroleum Gas, GPI: Gas and Power Investment, CTS: Co-gene Techno Service

Overview of non-energy business1



Overview of non-energy business1

100 million yen

Total value of consolidated subsidiaries without adjustments.

	Sales			Net income after tax			References
	03.3	04.3	05.3	03.3	04.3	05.3	
G4: Urbanex	329	+9 339	+29 369	7	+17 24	-1 23	An increase in income is forecast for FY 05.3 because of a projected increase in the sales of real estate by UX. Net income is expected to decline due to the application of accounting for impairment of assets.
G5: Kinrei	183	-9 174	+21 195	15	-6 9	-3 6	An increase in income is forecast due to the opening of new shops. Net income is expected to decline, affected by the declaration of gain on sale of Royal's stocks completed in the previous year.
G6: OGIS-RI	347	-9 338	+16 354	6	-0 5	+2 8	An increase in income is projected for FY 05.3 due to an increase in the amount of orders to be received.
G7: Osaka Gas chemicals	135	+17 153	+14 167	1	+3 5	-0 4	An increase in income is predicted for FY 05.3 due to the expected growth in the sales of electrodes and fine materials. Net income is expected to decline affected by the declaration of gain on sale of stocks completed in FY 04.3.
G8:OG capital	739	+41 780	+46 827	23	+6 29	-1 28	An increase in income is expected because of the company's inclusion in the consolidation and the strong sales of OGJ. Net income is expected to decline due to prior investment in OSS Airusu.
G1-G8 Total	3,371	+40 3,412	+494 3,906	75	+37 112	+2 115	

OSS: Osaka Gas security service, OGJ: Osaka Gas Jutaku Setsubi

Forecast for FY05.3 I

- In Osaka Gas alone, a decline in sales over the previous year is forecast, affected by crude oil prices and the foreign exchange rates.
- Net profits are expected to decline from FY 04.3 due to extraordinary losses resulting from earlier application of accounting for impairment of assets.

Billion yen, figures in parentheses are ratios of consolidated results to non-consolidated results			FY04.3 A. Results	FY05.3 1st half		FY05.3 B. Annual	B-A
Sales		(1.30)	951.3	426.5	(1.36)	989.0	+37.6
Operating profit		(1.37)	92.0	32.5	(1.29)	96.5	+4.4
Ordinary profit		(1.27)	81.4	35.0	(1.25)	94.0	+12.5
Net income after tax		(1.19)	47.0	10.0	(1.15)	46.0	-1.0
SVA			24.8	-1.5		23.5	-1.3
Consolidated gas sales	Million m3		7,779	3,708		8,039	+260
Exchange rate	yen/$		113.2	110		110	-3.2
Crude oil price	$/bbl		29.4	28		28	-1.4
Number of subsidiaries			77	109		109	+32

SVA(Shareholders' value added)= NOPAT – Invested capital * WACC, Real GDP growth rate (anticipated) = 1.5%

Starting in FY 05.3, two affiliated companies accounted for by the equity method (Universe Gas and Oil and Osaka Rinkai Energy Service Corporation) will be included in the consolidation, which is now comprised of 109 consolidated subsidiaries.

Forecast for FY05.3 II

	FY04.3	FY05.3		B-A
	A. Results	1st half	B. Annual	
Total assets	1,199.2	1,146.4	1,201.5	+2.2
Shareholders' equity	495.6	490.8	512.3	+16.6
Interest-bearing debt	455.7	479.9	456.0	+0.3
Capital expenditure	69.7	35.7	96.8	+27.0
Depreciation	89.5	42.5	85.7	-3.8
Free cash flow	73.2	-6.4	72.1	-1.1
Number of employees	14,444	16,200	16,050	+1,606
ROA	3.9%	0.9%	3.9%	+0.0%
ROE	9.9%	2.1%	9.2%	-0.7%
Shareholders' equity ratio	41.3%	42.8%	42.6%	+1.3%
EPS (yen/share)	20.6	---	20.6	+0.0
BPS (yen/share)	222.2	---	229.7	+7.5

The numerators of both ROA and ROE are net income after tax; the denominators are the average of the levels at the beginning and end of the applicable period. In computing the EPS values, the average number of outstanding shares at the beginning and end of the applicable period was used. The diluted EPS is not shown since there were no outstanding convertible bonds or other common stock equivalents.
The number of employees includes employees dispatched to subsidiaries and affiliates, but excludes employees under contract. (Accordingly, the number differs from that reported in the financial reports for the Securities Committee.) Free Cash Flow = cash flow in business operation (operating profit after tax + depreciation expenses and other non-cash expenses) – capital expenditures

Major challenges for FY05.3

Management policy for FY05.3

- Expanding sales channels for greater profitability
- Improving the performance of the entire Group
- Strengthening technical management
- Making more effective use of human resources and information
- Enhancing risk management

Establishing goals to achieve the profit target set for the last year of the “Innovation Centennial” plan, and directing concerted efforts toward the goals.

Enhancement of competitiveness of three upstream gas business

- Resources Department
  - Material cost reduction
  - Expansion of trading business
  - Promotion of upstream investment activities

- Gas Production and Power Generation Dept.
  - Continued effort toward reduction of manufacturing costs through the reduction of installation costs (efficient facility management), maintenance and repair costs (review of maintenance), and expenses (review of commission service fees)
  - Promotion of the industrial complex business in the Senboku area
  - The Himeji Power Plant with a 50 MW capacity is scheduled to begin commercial operation in June.

- Gas Distribution Dept.
  - Purchasing routes such as the expansion of bidding, introduction of new technologies, and promoting cost reduction by employing new installation methods such as polyethylene 300A pipes and a steel pipe non-cut and cover method
  - Reduction of metering costs through the introduction of inexpensive new-style meters and a review of repair specifications
  - Promotion of effective use of pipelines installed in the Shiga area

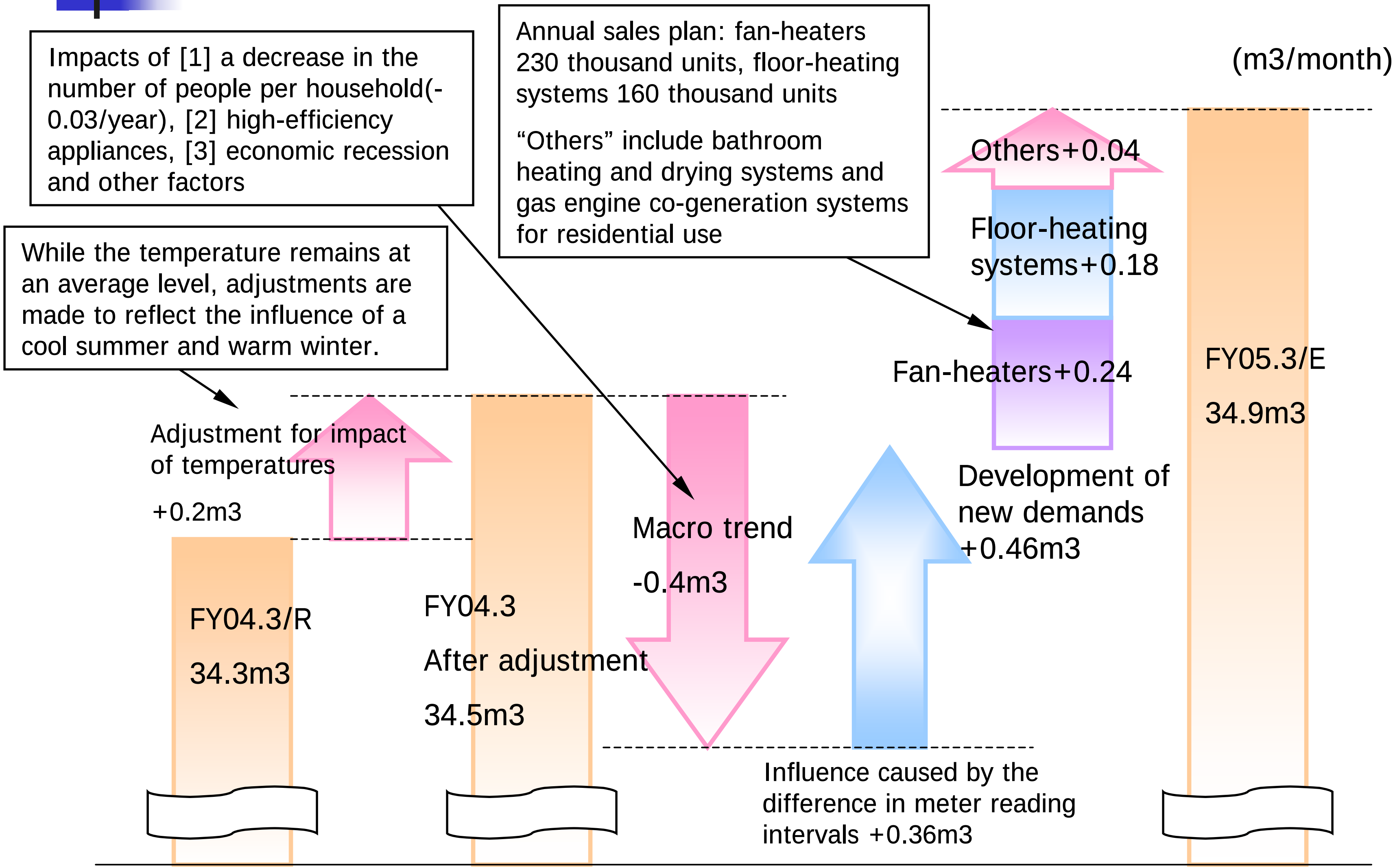
Residential energy marketing

- Further demand development and countermeasures against household electrification
  - We will promote sales of ECOWILL, a residential gas cogeneration unit, and other products of strategic importance
  - During FY 04.3, the sales of ECOWILL reached 3,200 on a unit basis, or 4,200 if units for which purchase is underway are included. In FY 05.3, efforts will be directed at early achievement of sales of 10,000 units in a cumulative total.
  - We will promote sales of cogeneration units systems for apartments
  - Proposal of comprehensive high value-added service packages that include floor heating, bathroom heater/drier system and other gas systems + security service through automatic meter reading + facility management/maintenance services

(thousand units)	03.3/R	04.3/R	05.3/E
"ECOWILL"	0	3	8
Floor heating system	165	173	188
Bathroom heater/dryer	90	93	94
Mist sauna-type unit(included)	2	3	9
Fan heater	187	197	230
Glass top cooking stove	38	70	90

Floor heating/ECOWILL---new houses: contract basis, existing houses: wholesale basis.Fan heater---installation basis, cooking stove---wholesale basis

Sales volume assumption per household



Commercial / industrial energy marketing

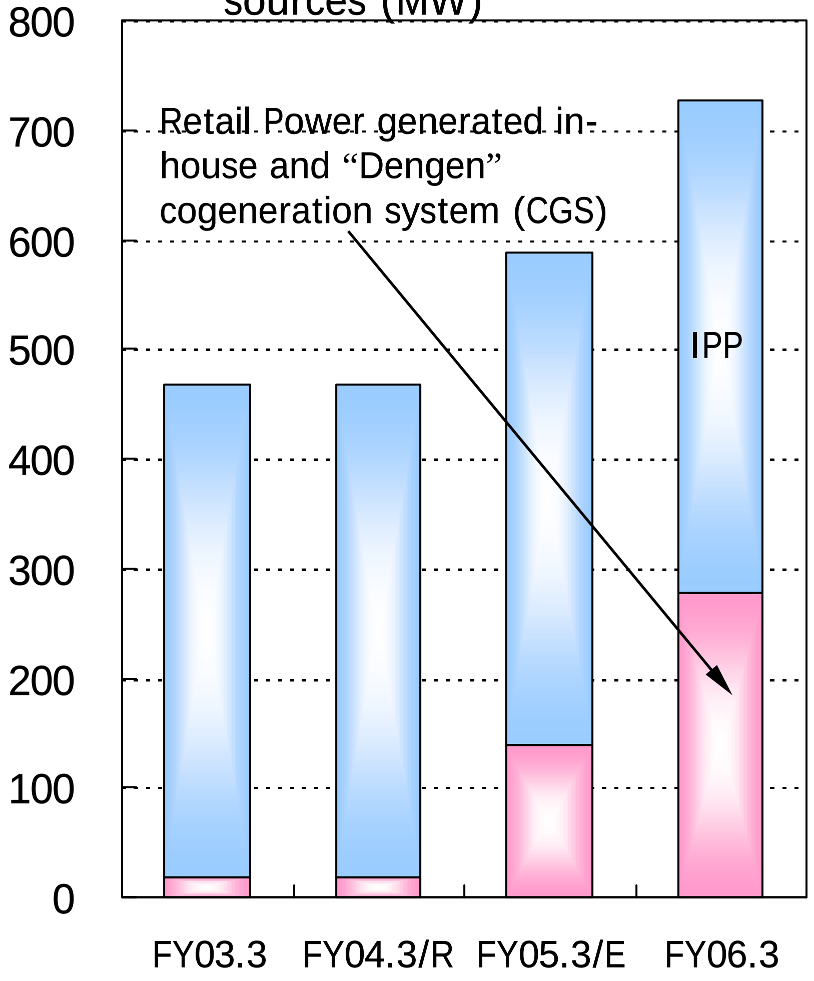
- Co-generation
  - Acquisition of small-sized electricity demand by proposing “Gene Light” series (small-sized cogeneration systems)
  - Development of new markets such as “Dengen” cogeneration(*) schemes and biogas cogeneration systems
- Air-conditioning
  - Offering of “High Power Multi,” an energy-saving gas air-conditioning unit that requires less power consumption.
  - Intensive marketing to the air-conditioning market for existing buildings through the introduction of “Quick Multi,” a new air-conditioning product
  - Proposal of schemes with no initial investment (consumption linkage type scheme) and proposal of energy management services utilizing “Sky Remote,” a GHP remote monitoring/control system
- Heat energy sector
  - Marketing of gas to large volume users of other fuels (who have glass tank furnaces for C-heavy oil and large boilers)
- Business outside the service area (via Cogene Techno Service)
  - During FY 04.3, 40 contracts (97MW) were secured, and the year-end cumulative total of electricity for sale reached 149MW.
  - The goal for FY 05.3 is to secure contracts that amount to 116MW.

* “Dengen” cogeneration means a type of cogeneration system that is designed to generate surplus electricity for commercial sales

Electricity business

- electricity wholesale business (IPP)
  - Investment in IPPs (both Japanese and foreign) under consideration
- Electricity retail business and acquisition of new power supply sources
  - To ensure the smooth start-up of new power sources, including the Himeji Power Plant (45MW) and GPI Uji Plant (57MW)
  - To encourage the offering of surplus electricity for commercial sale through cogeneration (Annual goal: 26MW).
  - To promote the large-scale power plant plan in Semboku.

Acquisition plan of power sources (MW)



Strengthening technical management

To incorporate technical innovations in product and service offerings immediately

To strengthen alliances within and outside the Group to accelerate product development and enhance a market-oriented approach

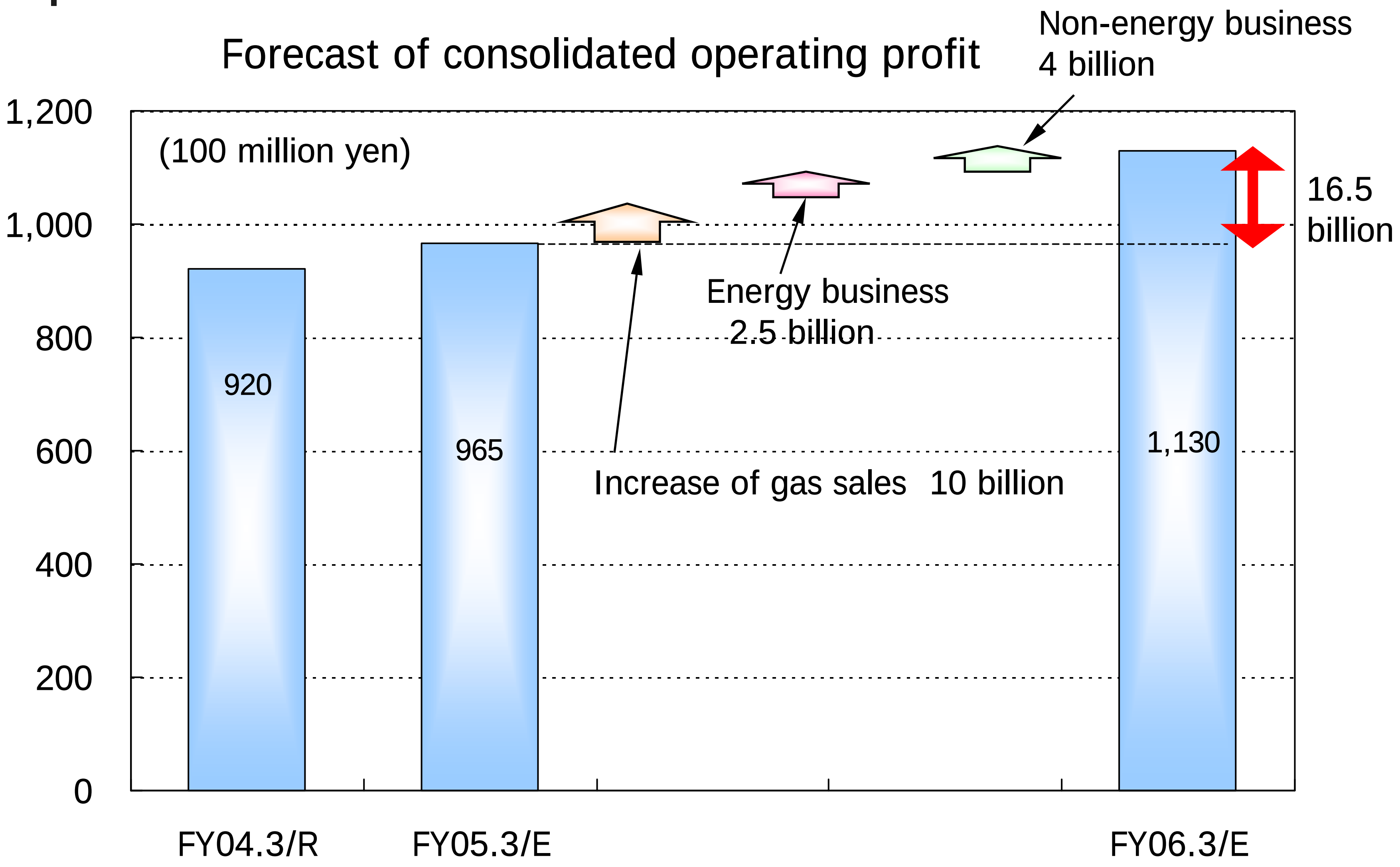
To identify key technologies and promote selection of group businesses and concentration of managerial resources, with a view to enhancing business performance and better utilizing core technologies

To implement a patent strategy in line with the business and product strategies

To promote MOT training

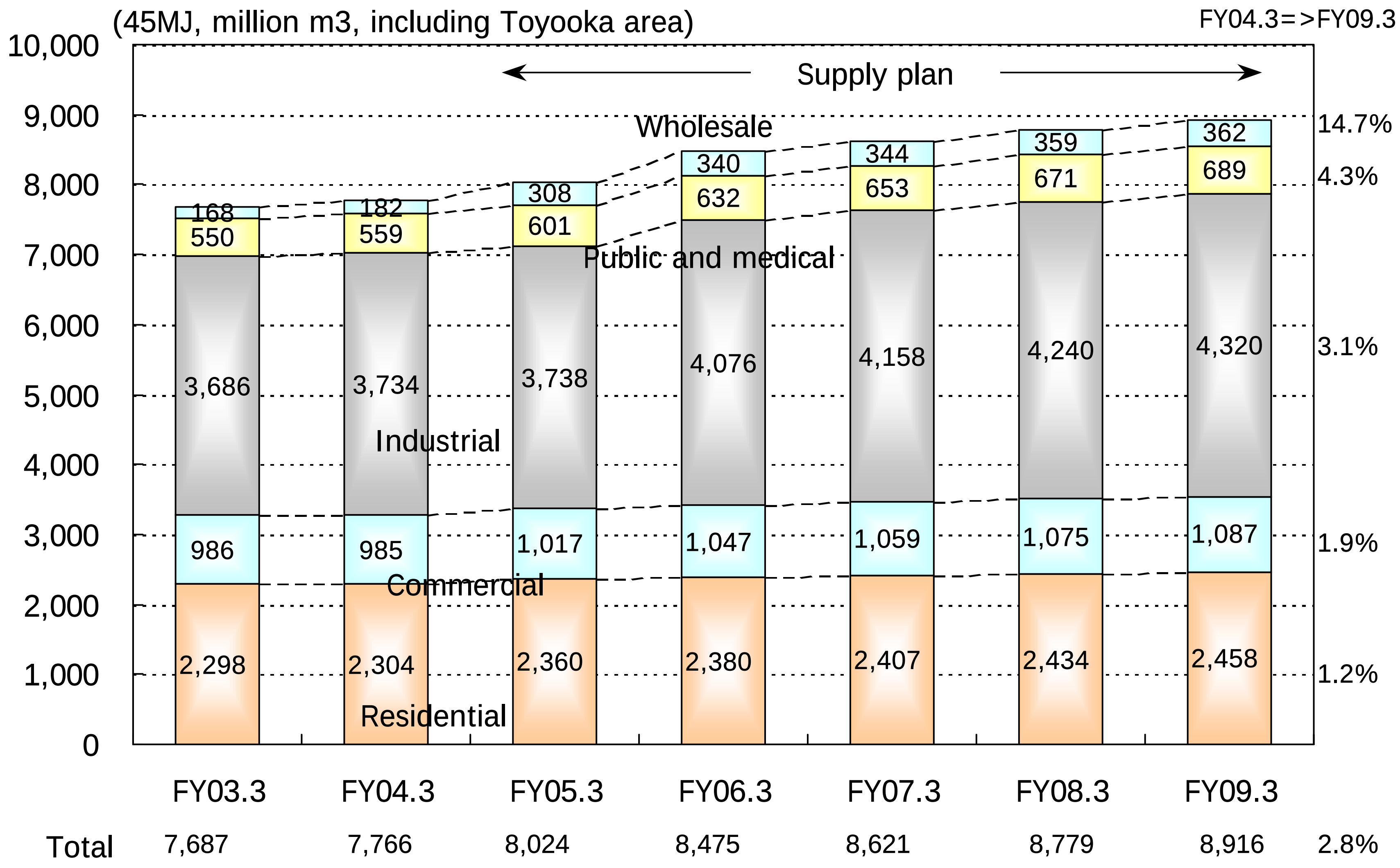
- Development of products that capitalize on the advantages of gas and that can contribute to increase in gas sales
  - Development of fuel-cell cogeneration systems for residential use
  - Improvement and development of gas appliances for residential use (glass-top cooking stoves, mist saunas)
  - Enhancement of the efficiency and reliability of cogeneration systems for non-residential use
- Development of technologies that capitalize on long-accumulated core technologies to create new business opportunities
  - Development of technologies relating to electricity service and decentralized power sources.
  - Enhancement of technologies related to carbon materials (fine materials, nano-materials)
  - Development of small-sized, on-site hydrogen generating systems

Achieving the final goals of the medium-term plan



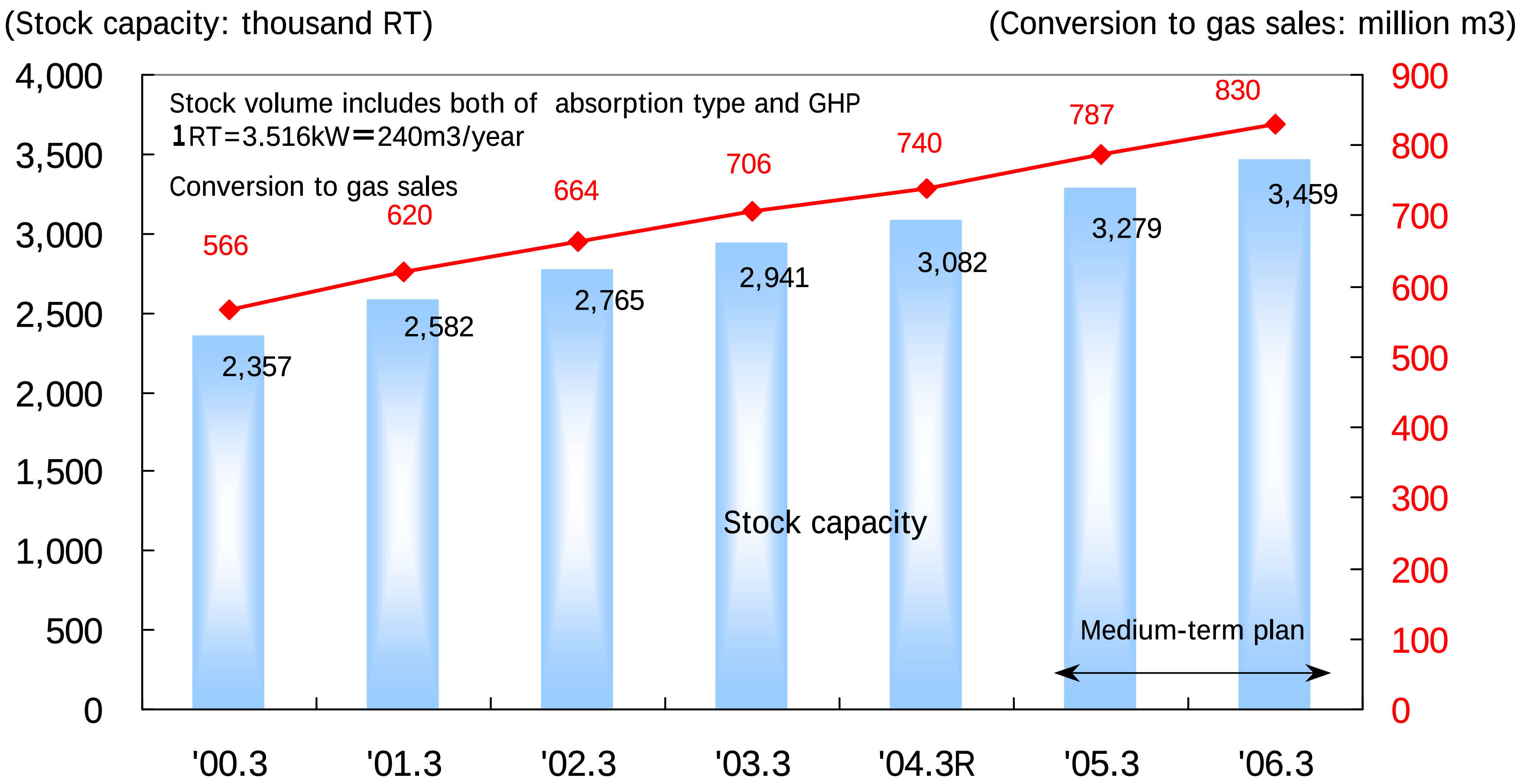
Facts and figures

Gas sales plan (non-consolidated)



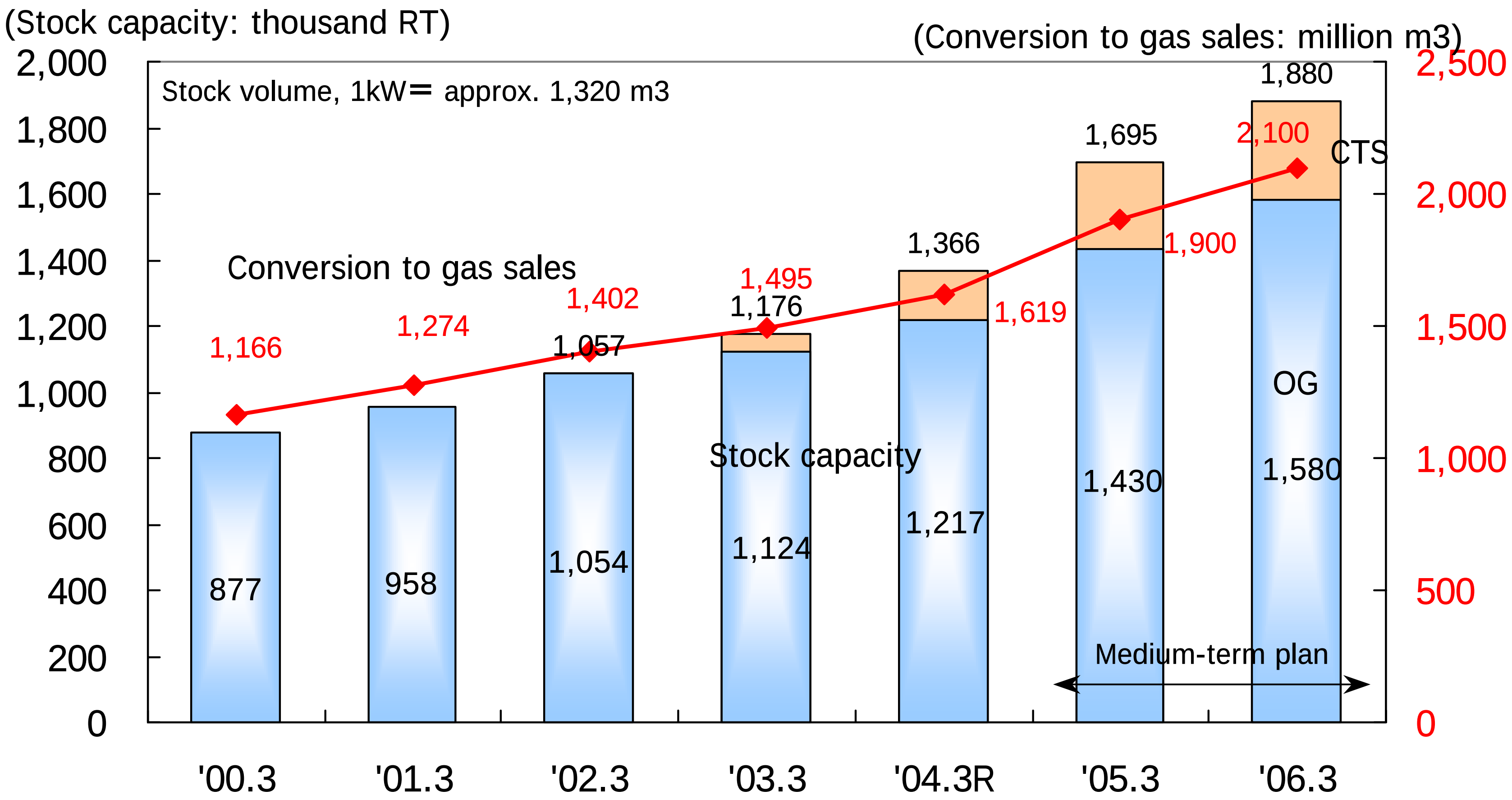
Sales plan of gas air-conditioning systems

- We will begin marketing “High Power Multi,” a new energy-saving gas air-conditioning unit that requires less power consumption. In addition, we will stimulate replacement demand by offering a new product, “Quick Multi,” for which existing cooling pipes can be utilized.



Development of demand for co-generation systems

- While it is expected that some customers will leave amidst the intensified competition with other energy business operators, sales expansion should be continued through development of new applications of cogeneration systems such as an electricity-main-heat-sub type and “Dengen” cogeneration (see p17) schemes, in addition to the traditional use of cogeneration systems.



Capital expenditure plan

- In Osaka Gas alone, investment in the maintenance of regular operations has remained at the level of 40 billion yen since FY 03.3. However, investment in the power business and other growing sectors will be increased.