

Brief Report of Consolidated Financial Statements

For the Year Ended March 31, 2003

April 28, 2003

Name of Listed Company Osaka Gas Co., Ltd.

Listed Exchanges: Tokyo, Osaka and Nagoya Exchanges

Code 9532

Location of Head Office: Osaka Prefecture

(URL: <http://www.osakagas.co.jp>)

Representative Officer Title: President

Name: Akio Nomura

Contact: Title: Accounting Manager and Director

Name: Yoshishige Suzuma

Tel: +81-6-6205-4537

Date of Meeting of Board of Directors for Approving Financial Statements: April 23, 2003

Adoption of U.S. Accounting Standards: Not adopted

1. Financial Results for the Year Ended March 31, 2003 (April 1, 2002 - March 31, 2003)

(1) Consolidated operational results

(Any amount less than one million yen is rounded down to the nearest million yen)

	Sales		Operating profit		Ordinary profit	
	million yen	%	million yen	%	million yen	%
Year ended March 31, 2003	947,977	-2.6	85,974	-11.1	65,079	-14.4
Year ended March 31, 2002	973,565	2.3	96,676	30.5	75,983	19.0

	Net income		Retained earnings per share	Diluted retained earnings per share	Ratio of retained earnings to shareholders' equity	Ratio of ordinary profit to total assets	Ratio of ordinary profit to sales
	million yen	%	yen		%	%	%
Year ended March 31, 2003	29,685	-24.7	12.55	---	6.4	5.3	6.9
Year ended March 31, 2002	39,418	9.2	16.33	---	8.4	5.9	7.8

Notes: (1) Profit (loss) from investment by equity method

Year ended March 31, 2003: - million yen

Year ended March 31, 2002: - million yen

(2) Average number of outstanding shares during term (consolidated)

Year ended March 31, 2003: 2,357,853,049 shares

Year ended March 31, 2002: 2,413,863,151 shares

(3) Change in accounting method: N/A

(4) Percentages shown for sales, operating profit, ordinary profit and net income in the above tables are percentages of change from the previous year.

(2) Consolidated financial position

	Total assets	Shareholders equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
	million yen	million yen	%	yen
Year ended March 31, 2003	1,209,627	453,284	37.5	197.27
Year ended March 31, 2002	1,243,520	468,706	37.7	197.85

Note: Shares outstanding as of year-end (consolidated)

As of March 31, 2003: 2,297,328,044 shares

As of March 31, 2002: 2,368,978,457 shares

(3) Consolidated statement of cash flow

	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financial activities	Cash and cash equivalents at term-end
	million yen	million yen	million yen	million yen
Year ended March 31, 2003	92,573	-49,629	-30,093	26,093
Year ended March 31, 2002	155,121	-88,546	-82,868	12,837

(4) Scope of consolidation and companies recorded by equity method

Consolidated subsidiaries: 56 subsidiaries Non-consolidated subsidiaries recorded by equity method: N/A

Affiliates recorded by equity method: N/A

(5) Change in scope of consolidation and application of equity method

Consolidation: (New) 16 subsidiaries (Excluded) 3 subsidiaries Equity Method: (New) N/A (Excluded) N/A

2. Forecast for the Year Ending March 31, 2004 (Consolidated) (April 1, 2003 – March 31, 2004)

	Sales	Ordinary profit	Net income
	million yen	million yen	million yen
Six months ending September 30, 2003	428,000	23,500	10,500
Full year	966,000	77,500	42,500

Reference: Expected earnings per share (for the full year): 18.47 yen

* The above forecasts are based on information available as of the date of this document, and actual results may differ from these forecasts due to various factors affecting the Company's business performance. See "3. Operational Results, (3) Projection for the Year Ending March 31, 2004."

April 28, 2003

Overview of Consolidated Financial Statements
for the Year Ended March 31, 2003
(185th business year)
[April 1, 2002 - March 31, 2003]

Osaka Gas Co., Ltd.

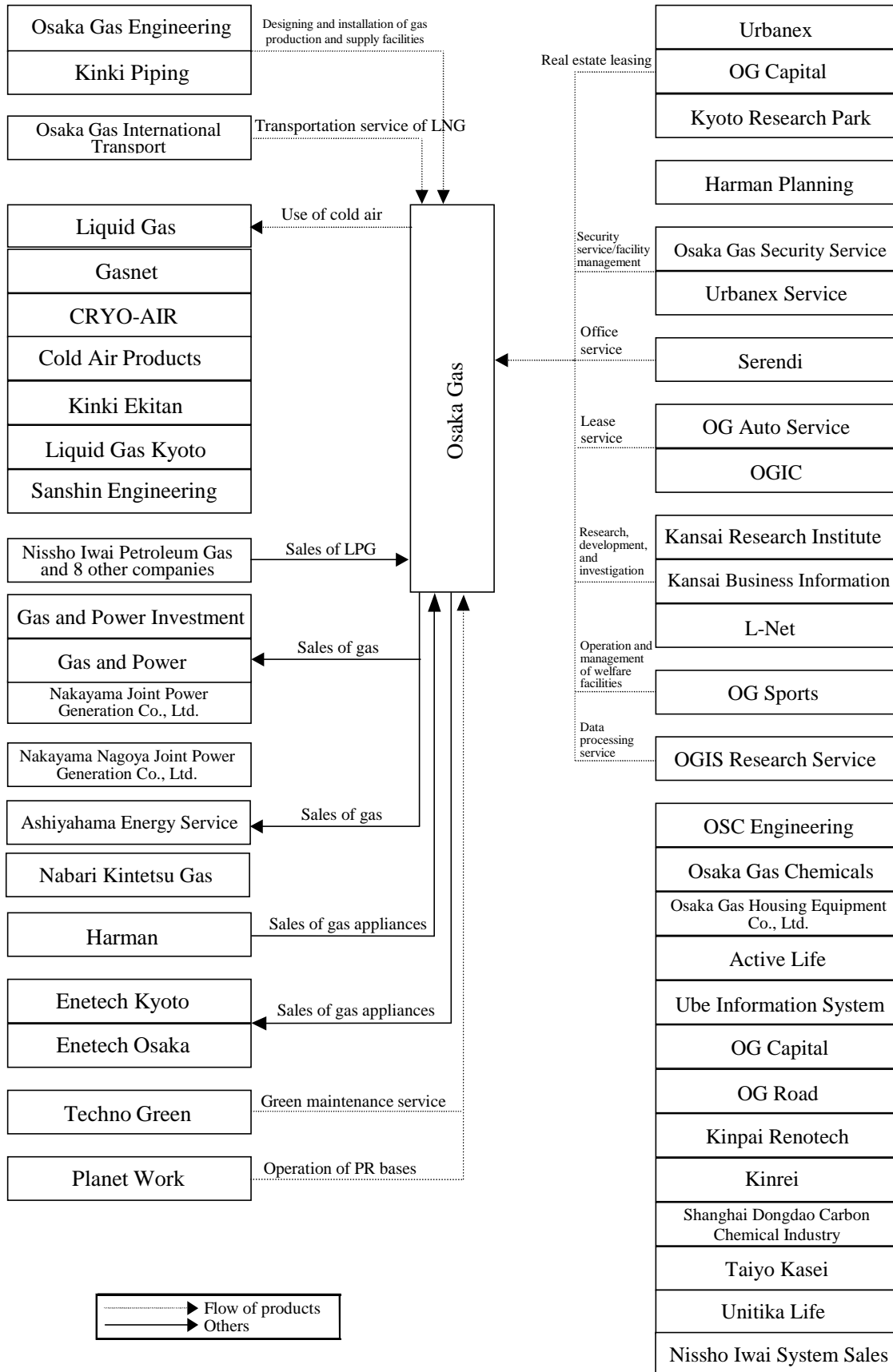
1 Osaka Gas Group

The Osaka Gas Group (comprising 56 consolidated subsidiaries) is engaged in businesses relating to gas, installation work, manufacture and sale of gas appliances, LPG and industrial gas, real estate leasing, and other businesses.

<Segment>

- (1) Gas
Osaka Gas and Nabari Kintetsu Gas Co., Ltd. manufacture, supply, and sell gas.
- (2) Installation work
Osaka Gas provides installation service for indoor gas pipes at the request of and at the expense of customers. Kinki Piping Co., Ltd. performs installation work of indoor gas pipes under contract with Osaka Gas.
- (3) Gas appliances
Osaka Gas and Harman Co., Ltd. sell gas appliances.
Because most stocks of Harman Co., Ltd. were sold to an outside company in April 2003, the shareholding ratio by Osaka Gas declined to 10%. Accordingly, it will be excluded from the consolidation in and after the next fiscal year.
- (4) LPG and industrial gas
Liquid Gas Co., Ltd. wholesales and retails liquefied petroleum gas, and operates cryogenic pulverizing of materials, utilizing cold air purchased from Osaka Gas. It also sells cold air to Cold Air Products Co., Ltd., CRYO-AIR Co. Ltd., and other companies. Cold Air Products, CRYO-AIR, and other companies manufacture and sell industrial gases, utilizing cold air. Nissho Iwai Petroleum Gas Co., Ltd. and other companies market liquefied petroleum gas, including wholesale and retail sale.
- (5) Real estate leasing
Urbanex Co., Ltd. and other companies lease real estate to Osaka Gas and other companies, and manage leased properties.
- (6) Other businesses
Osaka Gas and Gas and Power Investment Co., Ltd. (subsidiary) are engaged in the centralized community-based heating and air-conditioning business.
Osaka Gas, Gas and Power Co., Ltd., Nakayama Joint Power Generation Co., Ltd. and Nakayama Nagoya Joint Power Generation Co., Ltd. (subsidiaries) are engaged in the electricity generation business for wholesaling.
OGIS Research Institute Co., Ltd. and other companies provide computer data processing services for Osaka Gas and other companies.
Osaka Gas Chemicals Co., Ltd. manufactures and sells carbon products and related products and sells chemical products.
Kinrei Co., Ltd. (Over-The-Counter Trade Code: 2661) operates restaurant chains and other food service businesses and manufactures and sells frozen foods.
OG Capital Co., Ltd. provides financing service to companies in the Osaka Gas Group.
There are other subsidiaries engaged in engineering, research by contract, sale of housing equipment, security and disaster prevention services, sports businesses, services for aged people, information services, and other businesses.

<< Business Organization >>



<< List of Consolidated Subsidiaries (as of March 31, 2003) >>

	Name of Subsidiary	Location	Capital (million yen)	Description of Business	Shareholding Rate (%)	Remarks
Gas	Nabari Kintetsu Gas Co., Ltd.	Nabari City, Mie	100	- General gas business, simplified gas business, sales of LPG, and related installation work of indoor gas pipes and gas appliances under contract	85	Some of its businesses are included in the Industrial Gas segment.
Installation work	Kinki Piping Co., Ltd.	Nishinari-ku, Osaka	112	- Gas piping works - Construction work and road paving - Sales and installation of housing equipment - Piping renewal work	100	
Gas Appliances	Harman Co., Ltd.	Konohana-ku, Osaka	300	- Sale of gas appliances and kitchen equipment	60	Excluded from the consolidation in and after FY 2003
LPG and Industrial Gas	Ehime Nissho Propane Co., Ltd.	Iyo-gun, Ehime	20	- Sale of LPG, gas appliances, and petroleum	66.7	
	Gasnet Co., Ltd.	Chuo-ku, Osaka	46	- Manufacture and sale of oxygen, nitrogen, and other high-pressure gases, and manufacture and sale of related equipment and facilities - Sale of welding rods and other welding equipment and materials	55	
	CRYO-AIR Co., Ltd.	Sakai City, Osaka	480	- Manufacture and sale of liquefied nitrogen, liquefied oxygen, liquefied argon, and other liquefied materials	55	
	Cold Air Products Co., Ltd.	Takaishi City, Osaka	480	- Manufacture and sale of liquefied nitrogen, liquefied oxygen, liquefied argon, and other liquefied materials	55	
	Liquid Gas Co., Ltd.	Chuo-ku, Osaka	1,030	- Manufacture, sale, and transport of LNG and high-pressure gases - Sale of cold air generated from LNG production and sale of LPG	100	
	Liquid Gas Kyoto Co., Ltd.	Uji City, Kyoto	40	- Sale of LPG and gas appliances and gas piping work	100	
	Kinki Ekitan Co., Ltd.	Chuo-ku, Osaka	50	- Manufacture and sale of liquefied carbon dioxide	51	
	Kochi Nissho Propane Co., Ltd.	Kochi City, Kochi	50	- Sale of LPG, gas appliances, and petroleum	100	
	Sanshin Engineering Co., Ltd.	Ikeda City, Osaka	20	- Installation work, maintenance, and management of LPG generators and LPG supply equipment - Sale of LPG	100	
	Nissho Iwai Gas Co., Ltd.	Higashimurayama City, Tokyo	80	- Sale of LPG, gas appliances, and petroleum	100	
	Nissho Iwai Gas Energy Co., Ltd.	Daito City, Osaka	170	- Sale of LPG, gas appliances, and petroleum	100	
	Nissho Iwai Petroleum Gas Co., Ltd.	Minato-ku, Tokyo	1,726.50	- Import and sale of LPG	70	
	Nissho Gas Supply Co., Ltd.	Higashimurayama City, Tokyo	13	- Sale of LPG, gas appliances and petroleum	100	
	Nissho Propane Sekiyu Co., Ltd.	Chuo-ku, Sapporo	60	- Sale of LPG, gas appliances, and petroleum	100	
Real Estate Leasing	Hokuriku Nissho Propane Co., Ltd.	Kanazawa City, Ishikawa	30	- Sale of LPG, gas appliances, and petroleum	70	
	Mie Nissho Gas Co., Ltd.	Owase City, Mie	90	- Sale of LPG, gas appliances, and petroleum	100	
	Urbanex Co., Ltd.	Higashinari-ku, Osaka	1,421.96	- Management, maintenance, and leasing of real estate - Surveys and research on urban development	100	
	OG Capital Co., Ltd.	Chuo-ku, Osaka	3,000	- Financing of companies in the Osaka Gas Group - Management control of affiliated companies - Management, maintenance, and leasing of real estate	100	Some of the company's businesses are included in the "Other Businesses" segment.
Other Businesses	Harman Planning Co., Ltd.	Konohana-ku, Osaka	383	- Management, leasing, sale, purchase, and brokerage of real estate	100	Renamed "Seimi Co., Ltd." In April 2003
	Kyoto Research Park Co., Ltd.	Shimogyo-ku, Kyoto	100	- Management of the Research Park, interchange between the industrial and academic societies, development of venture businesses	100	
	Ashiyama Energy Service Co., Ltd.	Ashiya City, Hyogo	50	- Heat supply business and other associated businesses	60	
	Enetech Kyoto Co., Ltd.	Minami-ku, Kyoto	30	- Design, installation, operation, maintenance, and sale of air-conditioning, water supply/drainage, hot water supply, ventilation, and kitchen facilities and equipment - Design and performance of piping work and electric work	100	
	OSC Engineering Co., Ltd.	Fukushima-ku, Osaka	50	- Maintenance, security service, and cleaning of buildings, and facility designing and construction	67.3	
	Osaka Gas International Transport Inc.	Chuo-ku, Osaka	3,190	- Vessel leasing	100	
	Osaka Gas Engineering Co., Ltd.	Konohana-ku, Osaka	100	- Investigation, design, installation, and technical consulting for gas facilities, facilities using cold air, and facilities for environmental protection - Investigation, purchase, and sale of industrial properties	100	
Osaka Gas Chemicals Co., Ltd.	Chuo-ku, Osaka	480	- Manufacture and sale of chemical products and carbon products	100		
Osaka Gas Housing Equipment Co., Ltd.	Nishi-ku, Osaka	450	- Sale of housing equipment - Design and performance of installation work of housing equipment - Sale of kitchen utensils - Construction of new housing and renovation of housing	100		

	Name of Subsidiary	Location	Capital (million yen)	Description of Business	Shareholding Rate (%)	Remarks
Other Businesses	Osaka Gas Security Service Co., Ltd.	Yodogawa-ku, Osaka	100	- Provision of security and disaster protection services - Maintenance and inspection of gas facilities and equipment - Sale, lease, installation, maintenance, and inspection of security and disaster protection equipment - Sale of home security systems	100	
	OG Auto Service Co., Ltd.	Kita-ku, Osaka	100	- Automobile leasing - Automobile maintenance - Automobile sales - Property insurance agency	100	
	Active Life Inc.	Chuo-ku, Osaka	900	- Operation and management of nursing homes for the aged - Provision of home health care services - Health consulting service - Consulting on the operation of housing for the aged and nursing facilities	76.7	
	Urbanex Service Co., Ltd.	Higashinari-ku, Osaka	100	- Operation, maintenance, and management of buildings, equipment, facilities attached to buildings, heat supplying facilities, and electricity generating facilities - Repair, refitting and designing, installation, and control of above-mentioned facilities	100	
	Ube Information System Co., Ltd.	Ube City, Yamaguchi	100	- Computer data processing services - Sale of computer-related equipment and software - Software development - Provision of computer education	51	
	Enetech Osaka Co., Ltd.	Taisho-ku, Osaka	20	- Design, installation, operation, maintenance, and sale of air-conditioning, water supply/drainage, hot water supply, ventilation, and kitchen facilities and equipment - Design and performance of piping work and electric work	100	Renamed from Enetech Minami Osaka Co., Ltd. in July 2002
	L-Net Co., Ltd.	Nishi-ku, Osaka	40	- Publication of community papers - Operating Internet website - Marketing services using consumer network	100	
	OG Sports, Co., Ltd.	Chuo-ku, Osaka	100	- Management, construction, and operation of sports facilities and resort facilities - Sale of sports goods	100	
	OGIS Research Institute Co., Ltd.	Nishi-ku, Osaka	400	- Computer data processing services - Sale of computer-related equipment and software - Software development - Provision of computer education	100	
	OGIC Co., Ltd.	Chuo-ku, Osaka	600	- Leasing - Consumer credit - Telemarketing - Life and property insurance agency - Automatic collection service - Land and building dealer	100	
	OG Road, Co., Ltd.	Konohana-ku, Osaka	50	- Investigation and design of recycling of excavated earth - Manufacture and sale of materials for road construction - Design and performance of paving works	100	
	Gas and Power Co., Ltd.	Chuo-ku, Osaka	450	- Electric power supply - Prospecting, development, production, and supply of petroleum and natural gas - Investment in energy infrastructure - Energy environmental service - Research and planning relating to the above-mentioned businesses- - Manufacture and sale of materials for road construction - Design and performance of paving works	100	
	Gas and Power Investment Co., Ltd.	Chuo-ku, Osaka	2,100	- Domestic and overseas energy businesses, and research, planning, development, and investment relating to these businesses	100	
	Kansai Research Institute, Inc.	Shimogyo-ku, Kyoto	300	- Scientific/technical investigation and research/development services under contract, investigation on commercialization of businesses, and consulting - Provision of seminars and publication	100	
	Kinpai Renotech Co., Ltd.	Nishinari-ku, Osaka	50	- Cleaning of building exterior walls - Installation of pipe lining for water supply, drainage, and hot water supply pipes - Manufacture and sale of Astro Light (energy-saving lighting system) - Management and maintenance of water supply and drainage for air-conditioning and localized air-conditioning systems	100	Renamed from Harman Engineering Co., Ltd. in August 2002
	Kinrei Co., Ltd.	Chuo-ku, Osaka	966.44	- Operation of restaurants - Manufacture and sale of frozen foods	74.8	Over-the-Counter Trade Code Code: 2661
	Serendi Co., Ltd.	Nishi-ku, Osaka	100	- Management of real estate and operation and management of parking lots - Sale of office automation equipment and related products - Domestic tourist bureau, travel agency - Staffing and placement services - Office service and business service - Billing service	100	
Techno Green Co., Ltd.	Takaishi City, Osaka	30	- Greening works and green maintenance works - Growing and sale of orchids and other decorative plants - Manufacture and sale of microbiological materials - Investigation and research, observation, and preservation of ecosystems and natural environment	100		
Planet Work Co., Ltd.	Chuo-ku, Osaka	40	- Planning and operation of cultural facilities, showrooms, and PR facilities - Planning and operation of events - Bridal planning service	100		

	Name of Subsidiary	Location	Capital (million yen)	Description of Business	Shareholding Rate (%)	Remarks
Other Businesses	Kansai Business Information Co., Ltd.	Chuo-ku, Osaka	100	- Consumer, industrial, and technical trend research - Planning and research of city development - Architectural design - Office design - Publishing - Sales promotion - Multimedia - Operation of Osaka Gas Interior Design School - Staffing service - Staffing agency - Operation of call center by contract	100	
	Shanghai Dongdao Carbon Chemical Industry	Shanghai, PRC	5 million US dollars	- Manufacture and sale of isotropic pitches, etc.	51	
	Taiyo Kasei Co., Ltd.	Yodogawa-ku, Osaka	10	- Sale of chemical products and mixtures - Paving works	100	
	Nakayama Joint Power Generation Co., Ltd.	Taisho-ku, Osaka	300	- Electric power supply	60	
	Nakayama Nagoya Joint Power Generation Co., Ltd.	Chita-gun, Aichi	450	- Electric power supply	60	
	Nissho Iwai System Sales Co., Ltd.	Marugame City, Kagawa	10	- Sale of computers, and development and sale of computer software - Accounting service	60	
	Unitika Life Co., Ltd.	Chuo-ku, Osaka	20	- Management of apartment complexes - Management of buildings	100	

<< Newly consolidated companies: 16 >>

- Ashiyahama Energy Service Co., Ltd.
- OSC Engineering Co., Ltd.
- Urbanex Service Co., Ltd.
- Ube Information System Co., Ltd.
- Techno Green Co., Ltd.
- Planet Work Co., Ltd.
- Kinki Ekitan Co., Ltd.
- Sanshin Engineering Co., Ltd.
- Shanghai Dongdao Carbon Chemical Industry
- Taiyo Kasei Co., Ltd.
- Nakayama Joint Power Generation Co., Ltd.
- Nakayama Nagoya Joint Power Generation Co., Ltd.
- Nabari Kintetsu Gas Co., Ltd.
- Nissho Iwai System Sales Co., Ltd.
- Hokuriku Nissho Propane Co., Ltd.
- Mie Nissho Gas Co., Ltd.

<< Non-consolidated companies: 3 >>

- OG Royal Co., Ltd.
- Harman Seiki Co., Ltd.
- Kiccory Co., Ltd.

2. Management Policy

(1) Basic Management Policy

In January 2003, the Company developed and announced “Innovation Centennial,” our medium-term business plan for the period from fiscal 2003 to fiscal 2005. In fiscal 2003, Osaka Gas and each core company will pursue further growth of the two important business domains of the Energy Business and the Urban Business (non-energy business) in accordance with this medium-term plan; and promote our basic management policy, “management for the creation of value” to maximize our corporate value, composed of (1) value for customers, (2) value for shareholders, and (3) value for society.

On April 1, 2003, to promote the implementation of “Innovation Centennial,” the organization was reformed in the Group. In Osaka Gas Co., Ltd., the conventional organization divided into regional business units was reformed into a new organization comprising five businesses units, each representing a respective stage of our business—from procurement, production, and transportation to sales of gas (Energy Resources Business Unit, LNG terminal & Power Generation Business Unit, Pipeline Business Unit, Residential Energy Business Unit, and Commercial & Industrial Energy Business Unit). The functions of the head office were also restructured into five divisions: Strategy & Finance, Communication & HR, Administration & General Affairs, Technology, and Tokyo Divisions.

The head office of Osaka Gas will serve as a lean and strategic corporate head office for all companies under the Group, concentrating on the development and management of medium- and long-term strategies, risk management and provision of common services, for the entire Group. The five business divisions and seven core companies of Osaka Gas will pursue Management for the Creation of Value, based on the principle of independent and autonomous management. While striving for aggressive business expansion, each investment and proposal for investment will be evaluated severely for its profitability in accordance with the Osaka Gas Group’s uniform investment standards to minimize investment risk and to maintain sound financial structure.

(2) Challenges

The prolonged economic depression in Japan, especially in the Kinki region, where Osaka Gas has its business base, has had significant impact on energy demand. Moreover, as deregulation continues to progress in the electricity and gas businesses, it is expected that the competition among energy business operators and shakeout of companies in the capital market will further intensify. In this severe business environment, we will pursue new energy business opportunities arising from deregulation as well as existing businesses. We will aggressively pursue development of a Multi-energy Business that is able to provide any energy and related services, including city gas, electricity, and LPG, as a one-stop shop for customers.

The city gas business will continue efforts at each stage of the business, from procurement, production and transportation to sales to improve overall operational efficiency and price competitiveness. Our ability to propose the best services for customers based on our long years of knowledge in security, service, and engineering will be also strengthened in order to expand the demand for city gas. In addition to lowering the city gas price on February 27, 2003, we also offer new gas price plans that are advantageous to customers and thus encourage gas usage, in order to expand the gas sales volume. In the residential market, marketing efforts will be made to further spread and promote floor heating systems, bathroom heater/drier systems, residential air-conditioning units, fan heaters, and other products to deliver comfortable gas-based life to consumers. We will also strive to promote “ECOWILL,” a residential gas engine cogeneration system launched in March 2003, which efficiently produces both electricity and heat required in households. In the commercial and industrial markets,

high-efficiency and high-functional gas cogeneration systems will be proposed to expand city gas demand in the decentralized power source market. The development of demand for gas air-conditioning and the spread of natural gas vehicles will be also promoted.

As for the electricity generation business, aiming at developing it into “the 2nd largest core business” following the natural gas business, we are pursuing the electricity wholesale business (IPP) and electricity retail business, taking full advantage of our existing business foundation and customer network.

The LPG business, led mainly by Nissho Iwai Petroleum Gas Co., Ltd. and Liquid Gas Co., Ltd., will endeavor to increase retail customers and sales volume per household by utilizing our ability to market equipment and energy systems cultivated in the city gas market.

To expand and develop our energy business, it is important to be able to provide high quality in terms of security, service, and environmental protection. Thorough preventive maintenance will be performed to ensure the safety of our production and supply facilities. In addition to complete education and training for our employees, to ensure the safety of customers’ facilities we will continue not only communicating to customers the necessity of improving their facilities but also proposing proper renovations and improvements. To improve our customer service, we value opportunities to meet with customers so that we can reflect customers’ opinions in improving our operations and endeavor to respond more quickly and more accurately to the requests and needs of customers. To ensure a stable gas supply, we will pursue the diversification of supply sources of natural gas and take all possible measures to establish and maintain a stable production and supply system. In the area of environmental protection, we promote the use of environment-friendly natural gas in line with the energy policy of the national government, while aggressively implementing our own environmental preservation activities.

In the area of technical development, emphasis will be placed on the development of residential fuel-cell systems and industrial high-efficiency and high-functional gas cogeneration systems to enhance serviceability to customers, in addition to technologies contributing to environmental protection and energy savings. In addition, efficiency of the field and back-office operations will be improved through increased use of information technologies.

The Urban Business domain comprises five business segments: urban development (Urbanex Co., Ltd.), food and food services (Kinrei Co., Ltd.), information and communications (OGIS Research Institute Co., Ltd.), chemical products and carbon products (Osaka Gas Chemicals Co., Ltd.), and general services (OG Capital Co., Ltd.). (The companies in parentheses are the core companies leading each business segment.) The selection and concentration of businesses will be accelerated to encourage further expansion of these growing businesses and to enhance the corporate value of the entire Group.

We will exert ourselves to address the challenges described above based on flexible and quick management decisions, and to make harder efforts to comply with all applicable laws and regulations, valuing sound common sense as a member of the community to remain a sound corporate group.

(3) Dividends Policy

The Company has been trying to grow the business and improve the efficiency of operations, and has appropriated the increased profit resulting from these efforts for internal reserves for future business growth and strengthening of the financial structure of the Company, and for payment of steady dividends to shareholders.

For the year ending March 31, 2003, the Company will distribute an annual dividend of ¥6 per share (including interim dividends).

The Company will try to continue paying steady dividends to shareholders, taking future operational results, business plans, alternative profit distribution plans, and other comprehensive factors into consideration. Internal reserves will be appropriated for capital expenditures, investment in new businesses, and reinforcement of the financial structure of the Company.

(4) Corporate governance

While adhering to its principle of “Management for the Creation of Value” that pursues “customer value,” “shareholders’ value,” and “social value,” the Company is implementing a reform of its management organization that aims at ensuring sound business management while strengthening its competitiveness in the ever-changing business environment.

The number of directors has been reduced gradually since 1999. The Board of Directors reviews important matters that affect the entire Group, including subsidiaries and affiliates, and is responsible for making correct and quick decisions and for overall governance and supervision. A new internal auditor system will be adopted at the annual general meeting of shareholders in June 2003 to satisfy the revised requirements for non-employee auditors in accordance with the “Law modifying part of the Commercial Law and the law regarding special regulations of the Commercial Law regarding internal auditors of corporations, etc.” (Law No. 149, 2001). The inclusion of non-employee auditors will ensure the integrity of audits to confirm the appropriateness and legality of the directors’ performance. In addition, the Auditors’ Office, comprising full-time staff members not under the command line of directors, has been established to strengthen the auditing system of the Company.

Two non-employee auditors to be appointed in the shareholder’s general meeting do not have any special personal, capital, or business relationship with the Company nor do they have any other interest in the Company.

Moreover, the “Osaka Gas Group Code of Corporate Conduct” was established to set standards for employees in conducting business activities, and should be thoroughly communicated to every employee and followed to comply with all legal requirements.

The organizational reform of the Osaka Gas Group was implemented on April 1, 2003 to strengthen its management structure. Decision-making managerial tiers were reduced and indirect departments were downsized. More authority was given to individual business divisions. Moreover, an inspector has been appointed within each business division who will carry out internal audit and control. The compliance office, which was established within a “base unit,” has been reformed into the “Compliance Department,” a base unit, to monitor our business activities to ensure their compliance with all applicable laws and regulations.

3. Operational Results

(1) Results for the Year Ended March 31, 2003

Consolidated sales for the year ended March 31, 2003 decreased 2.6% to ¥947,900 million from the previous year, primarily due to the lowering of the gas charge by 5.04% in average in March 2002 and by 0.87% in February 2003, while gas sales volume and the number of companies included in the consolidation were increased (16 companies were newly included and three companies were excluded).

The operating profit for the year declined 11.1 % to ¥85,900 million compared with the previous year, affected by decreased sales revenues resulting from the lowered gas charges, while cost reduction efforts were continued in all aspects of operations.

Ordinary profit decreased 14.4% from the previous year to ¥65 billion mainly due to the recording of loss on evaluation of investment in securities (¥9,500 million) in the weak stock market condition. However, the target forecast at the beginning of the year was achieved.

Net income for the year ended March 31, 2003 decreased 24.7% to ¥29,600 million from the previous year, because extraordinary loss was recorded for one-time charges paid in connection with the early retirement plan.

(Unit: 100 million yen)

Revenues and expenses (a)		Change from previous year		Non-consolidated results (b)	Ratio of consolidated results to non-consolidated results (a)/(b)
		Change	Percent (%)		
Sales	9,479	-255	97.4	7,222	1.31
Cost of sales	5,023	17	100.4	3,403	----
Selling, general, and administrative expenses	3,596	-166	95.6	3,154	----
Operating profit	859	-107	88.9	664	1.29
Ordinary profit	650	-109	85.6	541	1.20
Net income	296	-97	75.3	254	1.17

Return on Equity (ROE)	6.4%
Return on Assets (ROA)	2.4%
Shareholder Value Added (SVA)	¥3,100 million

<<Operational Results by Segment>>

(1) Gas

Sales revenues decreased by ¥23,500 million (-4.0%) to ¥571,000 million from the previous year mainly due to the lowering of the gas charge in March 2002 and February 2003 while gas sales volume increased. Although efforts for cost reduction were implemented in all aspects of the operation, operating profit dropped by ¥12,800 million (-9.2%) to ¥126,400 million, affected by the decrease in sales revenue resulting from the lowering of the gas charge.

(2) Installation work

Sales were ¥35,400 million, a ¥3,900 million decrease (-10.0%) from the previous year, primarily due to a decrease in new orders for installation work. Operating profit decreased by ¥1,200 million (-49.4 %) to ¥1,300 million, although costs decreased due to a drop in installation works.

(3) Gas appliances

Sales of ¥111,100 million were almost the same level as the previous year (-1.7%). Operating profit increased by ¥100 million (+15.7%) from the previous year to ¥900 million as a result of cost reduction efforts.

(4) LPG and industrial gas

Sales increased by ¥9,300 million (+13.3%) to ¥79,800 million mainly due to the hike in the sales price affected by appreciation in the LPG import price. Operating profit increased by ¥700 million (+60.9%) from the previous year to ¥1,900 million as a result of cost reduction efforts.

(5) Real estate leasing

Sales decreased by ¥1,200 million (-6.2%) to ¥18,700 million mainly as a result of the sale of real estate in Kobe Harborland to improve the efficiency of the business operation. Operating profit increased by ¥1,200 million (+27.3%) from the previous year to ¥5,600 million as a result of the elimination of costs related to the sold real estates and other cost reduction efforts.

(6) Other businesses

As a result of the selection and concentration of businesses, sales decreased by ¥3,500 million (-2.2%) to ¥153,500 million from the previous year. However, operating profit increased by ¥3,100 million (+18.7%) to ¥20,200 million yen.

(Unit: 100 million yen)

	Gas	Installation work	Gas appliances	LPG and industrial gas	Real estate leasing	Other Businesses	Elimination of internal transactions and transactions involving all companies	Consolidated results
Sales	-4.0%	-10.0%	-1.7%	+13.3%	-6.2%	-2.2%		-2.6%
[Change from previous year]	5,710 (-235)	354 (-39)	1,111 (-19)	798 (+93)	187 (-12)	1,535 (-35)	(218) (-7)	9,479 (-255)
Operating profit	-9.2%	-49.4%	+15.7%	+60.9%	+27.3%	+18.7%		-11.1%
[Change from previous year]	1,264 (-128)	13 (-12)	9 (+1)	19 (+7)	56 (+12)	202 (+31)	(706) (-18)	859 (-107)

* Figures included in the "Food and Food Service Business" segment in the prior year were reclassified and included in the "Other Businesses" segment.

(2) Dividends

The Company will pay annual dividends of ¥6 per share (including interim dividends).

(3) Projection for the Year Ending March 31, 2004

Consolidated sales are projected to increase 1.9% to ¥966,000 million from the previous year because of an expected gas sales volume increase and an increase in consolidated subsidiaries. We will continue our cost reduction efforts in all areas of operation. However, operating profit is expected to decline to ¥84,500 million, a 1.7% decrease from the previous year, affected by the increase of depreciation expenses arising from completion of the construction of basic operating facilities. Ordinary profit, which includes operating and non-operating profit (loss), is expected to increase 19.1% to ¥77,500 million. Net income is projected to be ¥42,500 million, a 43.2% increase from the previous year.

	Projected annual results	Change from previous year
Sales	966,000 million yen	+1.9%
Operating profit	84,500 million yen	-1.7%
Ordinary profit	77,500 million yen	+19.1 %
Net income	42,500 million yen	+43.2%
Dividends	Targeted to pay annual dividends of ¥6 per share (including interim dividends)	

[Forecasted crude oil price: US\$25/bbl, forecasted exchange rate: 125 yen to US\$1]

Return on Equity (ROE)	9.0%
Return on Assets (ROA)	3.4%
Shareholder Value Added (SVA)	¥22,000 million

4 Financial position

(1) Cash Flow for the Year Ended March 31, 2003

Cash flow generated from operating activities during the year ended March 31, 2003 decreased by ¥62,500 million to ¥92,500 million from the previous year mainly due to the drop in net income as a result of the lowering of the gas charge and decrease in the provision for retirement benefits. Net cash used for investment activities was ¥49,600 million, a decrease of ¥38,900 million from the previous year mainly due to decreased capital expenditures and sales of fixed assets. Net cash used for financial activities was ¥30,000 million.

As a result, the balance of cash and cash equivalents as of March 31, 2003 increased by ¥13,200 million to ¥26,000 million from that as of March 31, 2002.

	Year ended March 31, 2003	Year ended March 31, 2002	Increase/decrease
Cash flow from operating activities	92,500 million yen	-155,100 million yen	-62,500 million yen
Cash flow from investment activities	-49,600 million yen	-88,500 million yen	+38,900 million yen
Cash flow from financial activities	-30,000 million yen	-82,800 million yen	+52,700 million yen
Increase/decrease of cash and cash equivalents	12,800 million yen	-16,200 million yen	+29,100 million yen
Increase in cash and cash equivalents by new inclusions in the consolidation	2,100 million yen	400 million yen	+1,600 million yen
Cash and cash equivalents at year-end	26,000 million yen	12,800 million yen	+13,200 million yen
Balance of interest-bearing liabilities at year-end	494,500 million yen	465,000 million yen	+29,500 million yen

Free cash flow (*1) ¥23,700 million

(*1) Free cash flow = Cash flow from operating activities - capital expenditures

(2) Cash Flow Indicators

	Year ended March 31, 2003	Year ended March 31, 2002
Debt redemption years	5.3 years	3.0 years
Interest coverage ratio	15.1	21.1
Shareholders' equity-asset ratio	37.5%	37.7%
Shareholders' equity-asset ratio based on market price	59.4%	55.2%

(3) Projection for the Year Ending March 31, 2004

Annual capital expenditures are expected to be ¥80,900 million yen.

The free cash flow will be ¥56,500 million yen. The balance of interest-bearing liabilities will increase by ¥17,700 million to ¥512,200 million.

<<Reference>> Capital Expenditures Plan for FY 2004

(Unit: 100 million yen)

FY 2004 (Projection)	FY 2003 (Actual results)	Description of expenditures planned for the year ending March 31, 2004
809	671	Construction of LNG tanks in terminals, trunk lines, and main and branch pipelines.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

Account \ Period	As of March 31, 2003	As of March 31, 2002	Change
(Assets)			
[1] Fixed Assets	992,799	1,049,544	-56,745
(1) Tangible fixed assets	822,179	837,627	-15,448
1. Production facilities	114,098	122,346	-8,248
2. Supply facilities	348,003	363,465	-15,462
3. Operational facilities	94,769	96,928	-2,159
4. Other facilities	193,648	186,546	7,102
5. Idle facilities	1,532	1,532	0
6. Construction in progress	70,127	66,807	3,320
(2) Intangible fixed asset	17,880	14,431	3,449
1. Acquisition cost of subsidiaries over net assets acquired	9,143	5,041	4,102
2. Other intangible fixed assets	8,737	9,390	-653
(3) Investments and other assets	152,739	197,486	-44,747
1. Investment in securities	82,868	128,351	-45,483
2. Deferred tax assets	38,669	35,483	3,186
3. Other assets	33,937	36,123	-2,186
4. Allowance for bad debts	-2,736	-2,471	-265
[2] Current Assets	216,795	193,971	22,824
1. Cash and deposits	29,705	12,892	16,813
2. Notes and trade accounts receivable	113,215	105,579	7,636
3. Inventories	27,618	32,289	-4,671
4. Deferred tax assets	11,554	11,777	-223
5. Other current assets	35,432	32,196	3,236
6. Allowance for bad debts	-731	-764	33
[3] Deferred Assets	32	3	29
1. Premium on bonds	32	3	29
Assets total	1,209,627	1,243,520	-33,893

(Unit: million yen)

Account	Period	As of March 31, 2003	As of March 31, 2002	Change
(Liabilities)				
[1] Fixed Liabilities		501,869	513,300	-11,431
1. Bonds		229,880	199,880	30,000
2. Long-term loans payable		180,585	189,127	-8,542
3. Reserve for severance benefits		70,585	98,548	-27,963
4. Reserve for gasholder repair		1,638	1,602	36
5. Other fixed liabilities		19,180	24,142	-4,962
[2] Current Liabilities		246,343	254,374	-8,031
1. Current portion of fixed liabilities		40,002	29,819	10,183
2. Note and trade accounts payable		43,207	39,716	3,491
3. Short-term loans payable		20,245	31,425	-11,180
4. Corporate taxes payable		17,542	30,976	-13,434
5. Other current liabilities		125,345	122,436	2,909
Liabilities total		748,213	767,675	-19,462
(Minority Interest)				
[1] Minority Interest		8,129	7,139	990
Minority interest total		8,129	7,139	990
(Shareholders' Equity)				
[1] Capital Stock		132,166	132,166	0
[2] Capital Reserve		19,482	19,482	0
[3] Consolidated Retained Earnings		312,830	296,338	16,492
[4] Difference between Market Price and Acquisition Cost of Other Securities		9,824	20,729	-10,905
[5] Foreign Exchange Adjustment		85		85
[6] Treasury Stock		-21,104	-10	-21,094
Shareholders' equity total		453,284	468,706	-15,422
Liabilities, minority interest, and shareholders' equity total		1,209,627	1,243,520	-33,893

Note: Some items under the Shareholders' Equity category as of March 31, 2002 were restated to conform to the new classification in accordance with the revised Rules for Consolidated Financial Statements.

(2) Consolidated Profit and Loss Statement

(Unit: million yen)

Account	Year ended March 31, 2003	Year ended March 31, 2002	Change
[1] Sales	947,977	973,565	-25,588
[2] Cost of Sales	502,342	500,586	1,756
Gross Profit on Sales	445,635	472,979	-27,344
[3] Selling, General and Administrative Expenses	359,660	376,302	-16,642
Operating Profit	85,974	96,676	-10,702
[4] Non-operating Revenues	6,608	7,253	-645
1. Interest income	241	416	-175
2. Dividend income	1,048	1,222	-174
3. Miscellaneous income	5,318	5,614	-296
[5] Non-operating Expenses	27,502	27,947	-445
1. Interest expense	6,149	7,338	-1,189
2. Loss from valuation of investment in securities	9,513	7,266	2,247
3. Loss from valuation of investment in securities of affiliates	4,886		4,886
4. Loss from redemption of corporate bonds		3,315	-3,315
5. Miscellaneous expenses	6,953	10,026	-3,073
Ordinary Profit	65,079	75,983	-10,904
[6] Extraordinary Profit	11,081	918	10,163
1. Gain from sales of fixed assets	2,011	918	1,093
2. Gain from sales of securities	9,069		9,069
[7] Extraordinary Loss	25,136	11,537	13,599
1. Loss from sales of fixed assets	11,608	422	11,186
2. Loss from reduction of fixed assets' cost	232	732	-500
3. Early retirement charges	13,294		13,294
4. Loss from cancellation of Tsuruga Base Construction Project		10,381	-10,381
Net income before taxes and minority interest	51,025	65,363	-14,338
Corporate, resident and business taxes	20,085	33,491	-13,406
Adjustment for difference of tax allocation between financial accounting and tax accounting	649	-7,719	8,368
Less: minority interest	603	173	430
Net Income	29,685	39,418	-9,733

(3) Statement of Consolidated Retained Earnings

(Unit: million yen)

Period Account	Year ended March 31, 2003	Year ended March 31, 2002	Change
(Capital Reserve)			
[1] Consolidated Capital Reserve at Beginning of Period	19,482	19,482	0
[2] Increase of Capital Reserve			
[3] Decrease of Capital Reserve			
[4] Consolidated Capital Reserve at End of Year	19,482	19,482	0
(Profit Reserves)			
[1] Consolidated Profit Reserve at Beginning of Period	296,338	288,140	8,198
[2] Increase of Profit Reserve	31,316	40,143	-8,827
1. Net income	29,685	39,418	-9,733
2. Increase due to new inclusions to consolidation	1,631	697	934
3. Increase due to decrease of consolidated companies		27	-27
[3] Decrease of Profit Reserve	14,824	31,945	-17,121
1. Dividends	14,211	13,362	849
2. Director's bonuses	71	70	1
3 Decrease due to decrease of consolidated companies	541		541
4. Retirement of treasury stock		18,512	-18,512
[4] Consolidated Profit Reserve at End of Year	312,830	296,338	16,492

Note: Some items for the year ended March 31, 2002 were restated to conform to the new classification in accordance with the revised Rules for Consolidated Financial Statements.

(4) Consolidated Cash Flow Statement

(Unit: million yen)

Account	Period	Year ended March 31, 2003	Year ended March 31, 2002	Change
I.	Cash Flow from Operating Activities			
	Net income before taxes and minority interest	51,025	65,363	-14,338
	Depreciation expenses	82,805	88,793	-5,988
	Decrease of reserve for severance benefits	-27,942	-2,333	-25,609
	Interest and dividends received	-1,290	-1,638	348
	Interest paid	6,149	7,338	-1,189
	Loss from redemption of corporate bonds		3,315	-3,315
	Gain from sales of investment in securities	-9,069		-9,069
	Loss from evaluation of investment in securities	9,513	7,266	2,247
	Loss from evaluation of investment in securities of affiliates	4,886		4,886
	Gain from sales of tangible fixed assets	-2,011		-2,011
	Loss from sales of tangible fixed assets	11,608		11,608
	Loss from retirement of tangible fixed assets	2,497	4,044	-1,547
	Early retirement charges	12,958		12,958
	Loss from cancellation of Tsuruga Base Construction Project		10,381	-10,381
	(Increase) Decrease of trade receivables	-3,950	7,100	-11,050
	Decrease of inventories	4,556	4,112	444
	(Increase) Decrease of trade payables	2,944	-6,527	9,471
	Decrease of accrued expenses	-3,087	-8,230	5,143
	Others	3,052	10,256	-7,204
	Total	144,645	189,245	-44,600
	Interest and dividends received	1,285	1,642	-357
	Interest paid	-6,061	-7,691	1,630
	Early retirement charges	-12,958		-12,958
	Corporate taxes paid	-34,338	-28,074	-6,264
	Net Cash Flow from Operating Activities	92,573	155,121	-62,548
II.	Cash Flow from Investment Activities			
	Expense for acquisition of tangible fixed assets	-67,756	-82,619	14,863
	Expenses for acquisition of intangible fixed assets		-1,803	1,803
	Income from sales of tangible fixed assets	11,678		11,678
	Expense for acquisition of securities	-8,752		-8,752
	Income from sales of securities	22,944		22,944
	Expense for acquisition of stocks of subsidiaries and affiliates	-3,307	-5,071	1,764
	Income from sales of stocks of subsidiaries and affiliates	2,033	3,070	-1,037
	Expenses for acquisition of stocks of subsidiaries and affiliates that led to their inclusion to the consolidation	-3,468		-3,468
	Expense for transfer of business		-3,005	3,005
	Net decrease of short-term loans receivable	1,962		1,962
	Others	-4,964	881	-5,845
	Net Cash Flow from Investment Activities	-49,629	-88,546	38,917
III.	Cash Flow from Financial Activities			
	Net decrease of short-term loans payable	-9,720	-5,832	-3,888
	Net increase of commercial paper	9,000	15,000	-6,000
	Proceeds from long-term loans payable	5,645	20,668	-15,023
	Expense for repayment of long-term loans payable	-24,780	-31,140	6,360
	Proceeds from issuance of bonds	39,970		39,970
	Expense for redemption of bonds	-14,848	-49,615	34,767
	Expense for acquisition of treasury stocks	-21,094	-18,522	-2,572
	Dividends paid	-14,158	-13,355	-803
	Dividends paid to minority shareholders	-106	-94	-12
	Others		23	-23
	Net Cash Flow from Financial Activities	-30,093	-82,868	52,775
IV.	Difference from Conversion of Cash and Cash Equivalents	-18	6	-24
V.	Increase/decrease of Cash and Cash Equivalents	12,831	-16,287	29,118
VI.	Cash and Cash Equivalents at Beginning of Period	12,837	28,676	-15,839
VII.	Increase of Cash and Cash Equivalents Due to Addition of Subsidiaries to the Consolidation	2,118	448	1,670
VIII.	Decrease of Cash and Cash Equivalents Due to Exclusion of Subsidiaries from the Consolidation	-1,693		-1,693
IX.	Cash and Cash Equivalents at End of Year	26,093	12,837	13,256

Notes:

1. Basic information for preparing consolidated financial statements

(1) Scope of consolidation

[1] Consolidated subsidiaries

Number of consolidated subsidiaries ······ 56 subsidiaries

(Major consolidated subsidiaries)

Osaka Gas Chemicals Co., Ltd., Urbanex Co., Ltd., OG Capital Co., Ltd., OGIS Research Institute Co., Ltd., Kinrei Co., Ltd., Liquid Gas Co., Ltd., and Nissho Iwai Petroleum Gas Co., Ltd.

(Change in consolidation)

Ashiyahama Energy Service Co., Ltd., OSC Engineering Co., Ltd., Urbanex Service Co., Ltd., Ube Information System Co., Ltd., Techno Green Co., Ltd., Planet Work Co., Ltd., Kinki Ekitan Co., Ltd., Sanshin Engineering Co., Ltd., Shanghai Dongdao Carbon Chemical Industry, Taiyo Kasei Co., Ltd., Nakayama Joint Power Generation Co., Ltd., Nakayama Nagoya Joint Power Generation Co., Ltd., Nabari Kintetsu Gas Co., Ltd., Nissho Iwai System Sales Co., Ltd., Hokuriku Nissho Propane Co., Ltd. and Mie Nissho Gas Co., Ltd. were added to the consolidation in the current year as their significance for the Group increased.

OG Royal Co., Ltd. (stocks sold in April 2002), Harman Seiki Co., Ltd. (dissolved in April 2002) and Kiccory (stocks sold in May 2002) were excluded from the consolidation.

Because the stocks of Nakayama Joint Power Generation Co., Ltd. and Nakayama Nagoya Joint Power Generation Co., Ltd. were acquired in March 2003, only their balance sheets were consolidated for the current year.

[2] Major non-consolidated subsidiaries

Major non-consolidated subsidiaries are: Apriti Sesamo Co., Ltd. and Cogene Techno Service Co., Ltd. The aggregates of their sales, total assets and net income (in proportion to the shareholding by the Company) and retained earnings (in proportion to the shareholding by the Company) for the year ended March 31, 2003 are minor respectively, and do not have material effect on the consolidated financial statements as a whole.

(2) Application of equity method

There was no non-consolidated subsidiary or affiliate that was reported by the equity method.

Major non-consolidated subsidiaries or affiliates that were not reported by the equity method are: Apriti Sesamo Co., Ltd., Cogene Techno Service Co., Ltd. and Kansai International Airport Thermal Energy Supply Co., Ltd.

Because the results of these non-consolidated subsidiaries and affiliates have a minor effect on the consolidated net income and the consolidated retained earnings for the year ended March 31, 2003 and do not have great importance as a whole, investments in these companies are reported by the cost accounting method, instead of the equity method.

(3) Annual closing date of consolidated subsidiaries

Except OSC Engineering, Shanghai Dongdao Carbon Chemical Industry, Nabari Kintetsu Gas, and Hokuriku Nissho Propane, the annual closing date of all consolidated subsidiaries is the same as the consolidated closing date of the Group, which is March 31 every year.

The annual closing date is December 31 every year in Shanghai Dongdao Carbon Chemical Industry, Nabari Kintetsu Gas, and Hokuriku Nissho Propane, and February 28 every year in OSC Engineering. However, as the timing difference does not exceed three months, their financial statements for the year ended on their respective annual closing date were used for the consolidation without adjustment.

(4) Accounting principles

[1] Basis and method of evaluation of significant assets

a. Inventories mainly at cost on a moving average basis

b. Securities

Other securities

With market price at market, based on the market price on the annual closing date

(The entire difference between the acquisition cost and the market price is accounted for by the “direct-inclusion-to-capital” method, and the cost of sales is calculated by moving average method.)

Without market price mainly at cost on a moving average basis

c. Derivative instruments at market

[2] Depreciation of significant depreciable assets

a. Tangible fixed assets

Most tangible fixed assets are depreciated by the declining balance method, except buildings (excluding fixtures attached to buildings) acquired on and after April 1, 1998, which are depreciated by the straight line method.

b. Intangible fixed assets

Intangible fixed assets are depreciated by the straight-line method.

Software programs for internal use are depreciated by the straight-line method over their usable period within the organization.

[3] Provision of significant allowances and reserves

a. Allowance for bad debts

For ordinary receivables, the amount of provision is determined based on the actual rate of bad debts in the past. In addition, specific doubtful accounts are individually examined for their recoverability and expected unrecoverable amounts are provided for such accounts.

b. Reserve for severance benefits

To prepare for payment of retirement benefits to employees, the reserve for retirement benefits is provided. An amount of accrued retirement benefits payable to employees at the end of the current year is provided based on retirement benefit liabilities and the expected value of the pension assets.

c. Reserve for gasholder repair

To prepare for payment of expenses needed for periodical repair of globular gasholders, the reserve for gasholder repair is provided for the expected repair cost needed in the next scheduled repair based on the actual cost paid in the last repair, over the period by the next scheduled repair.

[4] Accounting of significant lease transactions

Finance lease transactions, except those in which the ownership of the leased properties is transferred to the lessees, are recorded by the accounting method used for regular lease transactions.

[5] Accounting of significant hedge transactions

a. Method of hedge accounting

Deferred hedge accounting is adopted. In cases in which required conditions are satisfied, special accounting of interest swaps, and appropriation accounting of forward exchange contracts, etc. are adopted.

b. Hedge contracts and hedged transactions

Hedge contract

Interest swap

Currency swap

Forward exchange contract or currency option

Swap and option for crude oil price

Hedged transactions

Corporate bonds and loans payable

Corporate bonds and loans payable in foreign currency

Scheduled transactions in foreign currency (such as for purchase of raw materials)

Purchase price of raw material

c. Hedge policy

In accordance with the internal rules, the Company and its group companies enter into hedge contracts to hedge risk of fluctuation of foreign exchange rates, interest, etc.

No derivative contracts for speculative purposes, which do not have actual transactions to be hedged, have been concluded.

d. Evaluation of effectiveness of hedges

The effectiveness of a hedge is evaluated by confirming the relationship between the hedge contract and the transaction hedged by that contract.

[6] Other important information for preparing consolidated financial statements

Consumption taxes are recorded by the tax-exclusion method.

[7] Starting from the current year, the Company has adopted "Accounting Standards for Treasury Stocks, Withdrawal of Legal Reserves, etc." This adoption had no effect on profit or loss for the year ended March 31, 2003.

Because the Rules for Consolidated Financial Statements were revised, items under the Shareholders' Equity category on the Consolidated Balance Sheet and the Statement of Consolidated Retained Earnings for the year ended March 31, 2003 were presented in accordance with the revised Rules for Consolidated Financial Statements.

(5) Scope of funds for Consolidated Cash Flow Statement

Funds included in the Consolidated Cash Flow Statement (cash and cash equivalents) comprise cash on hand; bank deposits that can be withdrawn at any time; and highly liquid short-term investments with minor risk of price fluctuation, that will expire within three months from the acquisition date.

2. Accumulated depreciation of fixed tangible assets

	(As of March 31, 2003)	(As of March 31, 2002)
	1,599,658 million yen	1,544,086 million yen

3. Contingent liabilities

	(As of March 31, 2003)	(As of March 31, 2002)
Guarantee of liabilities	2,841 million yen	7,492 million yen
Acceptance of fulfillment of obligations of bonds and loans payable	121,454	125,302
Contingent liabilities under contracts		

4. Relationship of year-end balance of cash and cash equivalents and the values presented on the consolidated balance sheet

	(As of March 31, 2003)	(As of March 31, 2002)
Cash and bank deposits	29,705 million yen	12,892 million yen
Term deposits that expire more than three months later	-3,611	-55
Cash and cash equivalents	26,093	12,837

6. Segment Information

a. Segment information by business type

Year ended March 31, 2003 (April 1, 2002 to March 31, 2003)

	Gas	Installation Works	Gas Appliances	LPG and Industrial Gas	Real Estate Lease	Other Businesses	Total	Elimination of Internal Transactions or Transactions Relating to All Companies under the Group	Consolidation
	million yen	million yen	million yen	million yen	million yen	million yen	million yen	million yen	million yen
[1] Sales and Operating Profit and Loss									
Sales									
1. Sales to customers outside the Group	566,997	35,414	111,076	77,290	7,330	149,868	947,977	-	947,977
2. Internal sales or transfer among segments	4,029		100	2,597	11,374	3,730	21,832	(21,832)	-
Total	571,027	35,414	111,176	79,888	18,704	153,599	969,810	(21,832)	947,977
Operating Expenses	444,537	34,112	110,237	77,950	13,057	133,339	813,235	48,768	862,003
Operating Profit	126,489	1,301	939	1,937	5,646	20,260	156,575	(70,601)	85,974
[2] Assets, depreciation expenses, and capital expenditures									
Assets	660,767	9,766	45,162	45,550	81,974	232,657	1,076,878	132,748	1,209,627
Depreciation expenses	58,246	67	192	2,685	4,378	14,290	79,859	2,945	82,805
Capital expenditures	42,145	75	77	1,074	6,776	14,205	64,354	2,752	67,107

Year ended March 31, 2002 (April 1, 2001 to March 31, 2002)

	Gas and By-products	Installation Works	Gas Appliances	LPG and Industrial Gas	Real Estate Lease	Other Businesses	Total	Elimination of Internal Transactions or Transactions Relating to All Companies under the Group	Consolidation
	million yen	million yen	million yen	million yen	million yen	million yen	million yen	million yen	million yen
[1] Sales and Operating Profit and Loss									
Sales									
1. Sales to customers outside the Group	591,877	39,353	113,024	67,035	7,068	155,205	973,565	-	973,565
2. Internal sales or transfer among segments	2,702		86	3,476	12,871	1,918	21,055	(21,055)	-
Total	594,579	39,353	113,110	70,511	19,940	157,124	994,620	(21,055)	973,565
Operating Expenses	455,262	36,781	112,298	69,307	15,504	140,053	829,207	47,681	876,888
Operating Profit	139,317	2,572	812	1,204	4,435	17,071	165,413	(68,736)	96,676
[2] Assets, depreciation expenses, and capital expenditures									
Assets	677,662	10,429	42,481	45,931	108,666	213,063	1,098,235	145,284	1,243,520
Depreciation expenses	63,259	52	628	2,767	5,524	13,333	85,567	3,225	88,793
Capital expenditures	50,500	36	471	1,814	12,047	12,349	77,219	12,719	89,938

Notes:

1. The business segments are divided based on the sales summary classification in accordance with the Accounting Rules for Gas Business Operators.
2. Major products and services of business segments
 - (1) Gas Gas
 - (2) Installation works Installation of internal pipes at the expense of customers
 - (3) Gas appliances Gas Appliances
 - (4) LPG and industrial gas .. LPG, liquefied oxygen and nitrogen
 - (5) Real estate lease Lease and management of real estate
 - (6) Other businesses Design and installation of gas and environment-preservation-related facilities, sales of housing equipment, office equipment, etc., provision of data processing service, intermediary for installment purchases, automobile and office equipment lease, lease of LNG tankers, community-based centralized air-conditioning services, LNG processing by contract, frozen foods, restaurants, etc.
3. Of operating expenses, the non-allocable operating expenses included in “Elimination of internal transactions or transactions relating to all companies under the Group” are ¥69,276 million for the year ended March 31, 2002 and ¥70,885 million for the year ended March 31, 2003. They mainly comprise general expenses relating to administrative departments of consolidated companies.
4. Corporate assets included in the “Elimination of internal transactions or transactions relating to all companies under the Group” were ¥232,909 million as of the end of the previous fiscal year and ¥217,735 million as of the end of the current fiscal year. They mainly consist of surplus funds available for investments (cash and bank deposits), long-term investment funds (investment in securities), and assets related to administrative departments.
5. Because sales of cold air which were recorded as sales of by-products in the Gas and By-products segment in the past are now recorded in the Non-Operating Revenues category, the Gas and By-products segment was renamed the Gas segment from the year ended March 31, 2003.
6. The Foods and Food Services segment has been combined into the Other Businesses segment in the current year because its significance was reduced due to the decreased number of consolidated companies.
The figures included in the Food and Food Services segment for the previous year were reclassified into the Other Business segment.

b. Segment information by geographical area

Because more than 90% of sales by all segments of the Osaka Gas Group is earned in Japan and more than 90% of assets of all segments of the Group are in Japan, disclosure in this section is omitted.

c. Overseas sales

Because overseas sales account for less than 10% of the consolidated sales, disclosure in this section is omitted.

7. Securities

(1) Other securities that have market prices

(Unit: million yen)

Period Type of Securities	As of March 31, 2003			As of March 31, 2002		
	Acquisition Cost	Value Reported on Consolidated Balance Sheet	Difference	Acquisition Cost	Value Reported on Consolidated Balance Sheet	Difference
1. Stocks	26,532	42,481	15,949	39,402	76,217	36,814
2. Bonds						
National and local government bonds	9	9	0	27	28	0
Corporate bonds				10,000	7,522	-2,478
Total	26,542	42,491	15,949	49,430	83,767	34,337

(2) Major securities without market price and their values reported on the consolidated balance sheet

Other Securities

(Unit: million yen)

	Value Reported on Consolidated Balance Sheet as of March 31, 2003	Value Reported on Consolidated Balance Sheet as of March 31, 2002
Unlisted Stocks (excluding over-the-counter stocks)	18,779	12,028

8. Contract Price, Market Price and Profit and Loss Status of Derivative Transactions

(Unit: million yen)

Period Type of Transaction	As of March 31, 2003			As of March 31, 2002		
	Contract Price	Market Price	Evaluation Profit/loss	Contract Price	Market Price	Evaluation Profit/loss
Interest Swap						
Fixed receipt and variable payment	2,962	129	129	2,106	95	95
Fixed payment and variable receipt	2,798	-77	-77	2,669	-79	-79
Total	5,760	52	52	4,776	15	15

Note: Derivative transactions recorded by hedge accounting are excluded.

9. Retirement Benefits

1. Outline of Retirement Benefit Plans

Osaka Gas Co., Ltd. and most of its consolidated subsidiaries have adopted a retirement bonus plan that pays a fixed amount of bonus benefit to retiring employees. Also, Osaka Gas Co., Ltd. and specified consolidated subsidiaries have adopted a qualified pension plan that pays a fixed amount of pension to retired employees. Some consolidated subsidiaries have adopted an Employee's Pension Fund Plan.

Osaka Gas has adopted the qualified pension plan since November 1, 1974.

2. Reserve for Retirement Benefits (as of March 31, 2003) 70,585 million yen

3. Information on Retirement Benefit Costs (for the year ended March 31, 2003)

(1) Service costs	10,733 million yen
(2) Interest expenses	7,303
(3) Expected return on investments	-4,126
(4) Actuarial difference recognized as costs	2,471
(5) Past service liabilities recognized as costs	-1,830
(6) Retirement benefit costs ((1)+(2)+(3)+(4)+(5))	14,551

Note:

Retirement benefit costs of consolidated subsidiaries adopting simple computation methods are included in "service costs."

4. Information on the basis of determining retirement benefit liabilities and other costs:

Allocation of expected amount of retirement benefits to be paid to employees:	Allocation of fixed amounts to relevant periods
Discount rate:	Mainly 1.8%
Expected return on investments:	Mainly 2.7%
Years to amortize past service liabilities:	Mainly one year
Years to amortize actuarial difference:	Mainly ten years