

ANNUAL REPORT 2003

For the year ended March 31, 2003

ELECTRICITY

NATURAL GAS

**LIQUEFIED
PETROLEUM
GAS**

**ENERGY
SOLUTION**

*Beyond the
Bounds
of Convention*

OSAKA GAS CO., LTD.

VISION 2010 and Value Creation Management

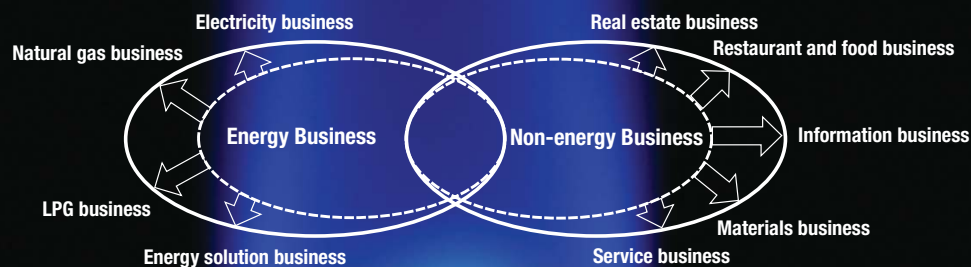
In October 1999, the Osaka Gas Group formulated VISION 2010 as its Group management vision, and set the management principle of Value Creation to maximize corporate value for its customers, shareholders and society.

As the first phase of realizing VISION 2010, the medium-term business plan GATE PLAN (fiscal 2001–fiscal 2003) was established with the aim of enhancing the corporate value of Osaka Gas. We were able to achieve the targets in the Plan in fiscal 2002—one year ahead of schedule—and, as a result, created value for shareholders by increasing cash dividends.

New Medium-Term Business Plan, INNOVATION CENTENNIAL

In January 2003, the Osaka Gas Group announced the medium-term business plan INNOVATION CENTENNIAL (fiscal 2004–fiscal 2006) as the second phase of VISION 2010.

To tap business opportunities emerging in the fast-changing energy market, the Osaka Gas Group is determined to convert itself from an energy business centered on local gas operations to a multi-faceted energy services Group beyond its conventional service territory. Also, in the non-energy business sector, the Group is constantly innovating to retool its operations for greater speed and flexibility in order to bolster competitiveness and ensure profitability with a core company in respective business fields.



2	Business Foundation of Osaka Gas	With its gas sales volume of 7.6 billion cubic meters, Osaka Gas accounts for more than 30% of total sales volume in Japan. Osaka Gas supplies gas to 6,56 million customers, which is approximately 25% of the nation's total. While steadily expanding its service area, the Company currently supplies natural gas to customers spread over approximately 3,200 square kilometers.
3	Consolidated Financial Highlights	
4		Message from the Management
		The Osaka Gas Group aims for sustainable development as the "Robust Osaka Gas Group" by pursuing innovation in the energy and non-energy businesses. While increasing flexibility and speed in management, and precisely responding to changes in the operating environment, we are making every effort to increase corporate value by furthering our competitive edge in costs and services.
9	Strategy for Growth	The Osaka Gas Group is determined to switch from a local gas company to a broad-area multiple energy services company. We also aim to increase the competitiveness and profitability of the non-energy businesses with a core company in respective business fields.
10		Special Feature 1: Energy Business: Shifting to Multiple Energy Services and Broadening Geographic Area of Businesses
		Here we explain our strategy to offer multiple types of energy for one-stop service solutions, and our strategy to broaden the service area to develop operations beyond our traditional service area, by using examples of developments in the electricity business and criteria for business investment.
16		Special Feature 2: Thriving Amid Competition
		Using its technological prowess and expertise in solution marketing, Osaka Gas provides energy solutions for its customers in the industrial, commercial, public and medical sectors by building systems and offering a detailed product lineup tailored to customer needs. In the residential sector, we offer a diverse range of rates and strategically developed products to satisfy customer requirements.
22		Special Feature 3: Technological Development to Strengthen Competitiveness
		Osaka Gas is concentrating resources in fields that contribute to reinforcing its competitiveness in the energy and non-energy businesses. In addition, the Company has formulated strategies to increase the effectiveness of technological development through strategic alliances based on core technologies such as its world-class hydrogen production technology.
26	Business Review	The business review breaks down performance and strategies by business segment for the fiscal year under review.
34	Research and Development	In this section we describe in detail Osaka Gas' expertise in hydrogen production utilizing its accumulated catalyst technologies, and nano-technologies based on experience in carbon materials manufacturing.
36	Corporate Activities for a Sustainable Society	From information disclosure and compliance to the environment and social contributions, we introduce our efforts that aim to maximize social value from a variety of perspectives.
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