

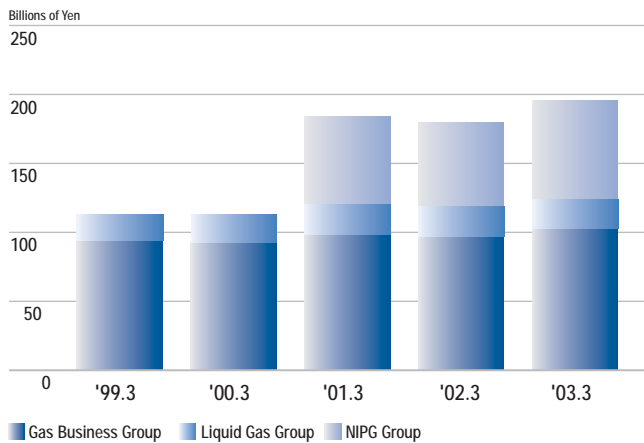
Gas Business



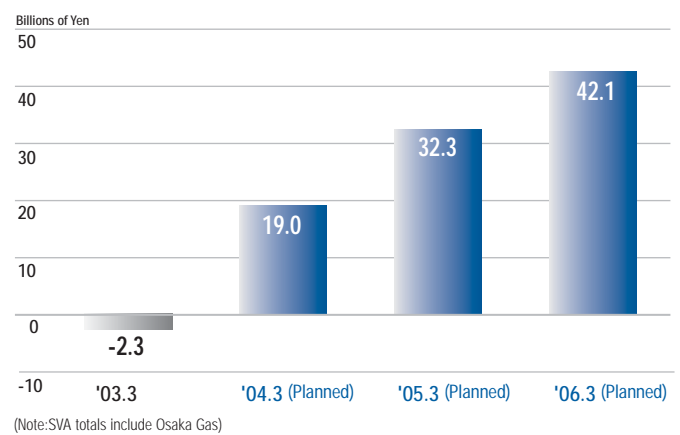
In the gas business segment, Osaka Gas handles the gas business while the Liquid Gas Group and the Nissho Iwai Petroleum Gas Group are in charge of the industrial and fuel gas businesses. The Osaka Gas Group is also involved in a wide range of activities related to natural and LPG, including LNG tanker operations, natural gas upstream operations such as the development of natural gas fields, and the sale of gas-related equipment. In fiscal 2003, ended March 31, 2003, the Osaka Gas Group acquired Nabari Kintetsu Gas Co., Ltd. of Mie Prefecture to reinforce its gas business.

At Osaka Gas, gas sales volume in fiscal 2003 amounted to 7,687 million cubic meters, an increase of 2.8% from the previous fiscal year. Gas sales expanded year-on-year in the residential, industrial, commercial, public, medical and wholesale sectors, owing in part to the Company's efforts to stimulate demand by introducing strategic products and aggressively engaging in solution marketing, as well as below-average winter temperatures.

Revenue in the Energy Business Segment



SVA in the Energy Business Segment



Residential Gas Sales

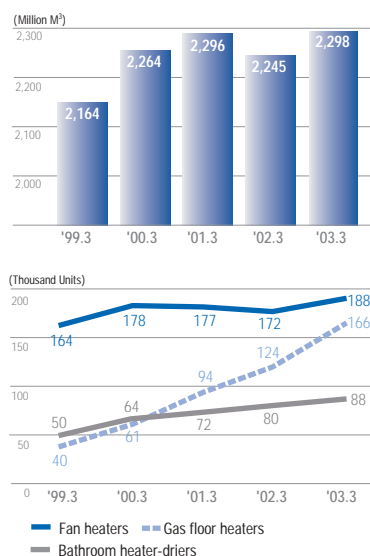
As of March 31, 2003, the number of customers stood at 6,248 thousand residences, an increase of 76,000, or 1.3%, over the previous fiscal year-end. Moreover, the Company's measures to stimulate demand and below-average winter temperatures led to an increase of 1.4% in the average monthly usage of gas per residence to 34.5 cubic meters. As a result, sales of residential-use gas grew 2.3% to 2,298 million cubic meters.

Osaka Gas began offering a special optional-rate plan in January 2002 to customers using home floor heating. Subscribers to this plan have increased steadily from 39,000 households as of March 31, 2002, to 132,000 households as of March 31, 2003. In addition, sales have been firm for soil-resistant, easy-to-clean glass-top gas stoves.

In the fiscal year ending March 31, 2004, we aim to further stimulate demand and counter the trend toward using all-electric appliances in homes through high-value-added proposals that combine such residential services as home security. We also aim to expand sales of strategic products including home floor heating and gas engine cogeneration systems (ECOWILL) for residential use. In addition, we will promote higher business efficiency by using information technology in gas meter reading work and by transferring periodic maintenance work to subsidiaries.

	1999.3	2000.3	2001.3	2002.3	2003.3
Gas Sales by Volume (Million m ³ -45MJ/m ³)	2,164	2,264	2,296	2,245	2,298
Number of Meters Installed (Thousands)	5,909	6,001	6,092	6,172	6,248
Average Monthly Consumption (m ³ /month)	34.2	35.3	35.3	34.0	34.5

Residential Gas Sales by Volume/
Sales of Gas Floor Heaters



Residential gas engine cogeneration system ECOWILL

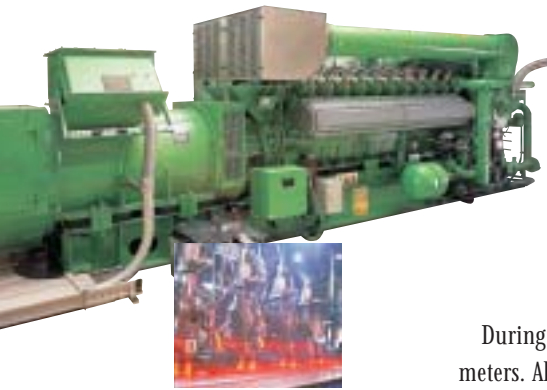


Industrial Gas Sales

Natural gas has become a key energy resource in a diverse range of industries, including metals, chemicals, machinery, foodstuffs, and textiles. Cleaner than other fossil fuels, natural gas boasts numerous advantages, including fuel efficiency, less space requirements, and easy control. Osaka Gas is using its technical expertise to develop detailed solutions that meet customer requirements, and demand for natural gas is growing as a result.

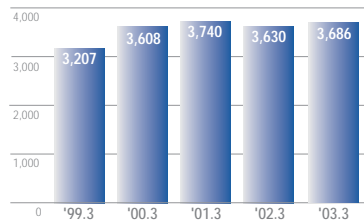
In addition to demand for thermal energy for industrial furnaces and boilers, demand for natural gas has risen for use in cooling processes and clean rooms. Also, there has been sustained growth in the use of cogeneration systems, which produce both heat and electric power. These systems allow major energy savings in factories. Their growing popularity reflects the priority that society places on energy conservation.

Gas Sales to Commercial, Public and Medical Sectors

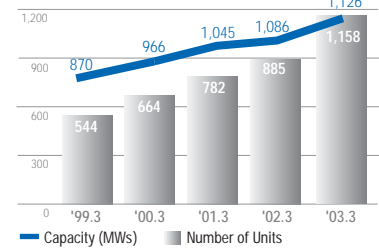


(Above) 420 Series gas engine manufactured by Jenbacher AG.
(Below) The industry's first environmentally friendly, gas-fired glass melting furnace

Industrial Gas Sales (Million m³)



Number of Cogeneration Systems Installed



During the fiscal year, industrial gas sales increased 1.5% from the previous fiscal year, to 3,686 million cubic meters. Although demand fell due to a shift to other gas suppliers, the Company's aggressive efforts to stimulate demand through cogeneration systems countered this decline.

In the fiscal year ending March 31, 2004, we are concentrating efforts on proposing detailed services for and broadening our lineup of cogeneration products. We plan to further stimulate demand through such new services as rate plans tied to consumption levels (no initial cost proposal) and remote monitoring and control systems.

	1999.3	2000.3	2001.3	2002.3	2003.3
Gas Sales by Volume (Million m ³ ·45MJ/m ³)	3,207	3,608	3,740	3,630	3,686
Number of Meters Installed (Thousands)	21	21	21	21	21

Gas sales to the commercial, public and medical sectors are increasing mainly for gas air-conditioning systems and cogeneration systems. Gas absorption air-conditioning systems have become the dominant technology for air-conditioning systems in large buildings, while gas heat pump air-conditioning systems are becoming increasingly popular in small and medium-sized buildings because of their convenience and suitability for stand-alone installation. Both of these trends are contributing to higher demand for gas.

Cogeneration systems are used by customers with business operations ranging in size from large commercial facilities to hospitals, hotels, and small retail outlets. Our Gene-Light Series of compact 9.8-kW cogeneration systems for small and medium-sized office buildings and shops has been very popular since its launch in fiscal 1999. To date, it has been installed by approximately 500 customers.

Osaka Gas is also engaged in urban environment projects. The Company's Super Waste-to-Energy Generator is a highly efficient power generation system that makes an important contribution to energy conservation by recycling waste heat generated by garbage incinerators in waste disposal plants and by incineration and drying during the sludge treatment process at waste treatment plants.

In kitchen-related fields, our efficiency-enhancing series of New Super Appliances have attracted widespread attention, and demand for these appliances is rising.

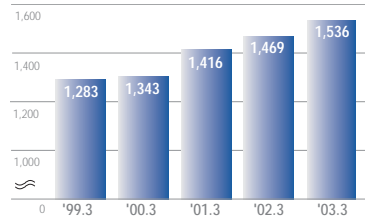


Using waste heat from cogeneration in the cleansing process at a water purification plant

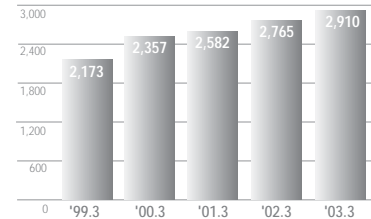


Area around the Iwasaki Bridge, including the Osaka Dome, where the Osaka Gas Group provides district heating and cooling services

Sales of Gas to the Commercial, Public and Medical Sectors (Million m³)



Total Installed Air-Conditioning Capacity (Thousand RTs)



In fiscal 2003, sales of gas to the commercial, public and medical sectors amounted to 1,536 million cubic meters, up 4.6% compared with the previous year. This increase was chiefly due to the acquisition of new customers in the medical sector.

In fiscal 2004, Osaka Gas is concentrating efforts on taking advantage of renewal demand for air conditioners installed in existing buildings through its new air-conditioning system Quick Multi, which can be installed using existing cooling ducts.

	1999.3	2000.3	2001.3	2002.3	2003.3
Gas Sales by Volume (Million m ³ -45MJ/m ³)	1,283	1,343	1,416	1,469	1,536
Number of Meters Installed (Thousands)	280	283	288	291	294

LPG

Involved in the manufacture and sale of industrial and fuel gases, the Liquid Gas Group comprises five consolidated subsidiaries: Liquid Gas Co., Ltd., Cold Air Products Co., Ltd., CRYO-AIR Co., Ltd., Liquid Gas Kyoto Co., Ltd. and Gasnet Co., Ltd.

In September 2000, Osaka Gas acquired 70% of the shares of Nissho Iwai Petroleum Gas Corporation, an LPG wholesaler in the Nissho Iwai Group. This acquisition brought a 17-company group led by Nissho Iwai Petroleum Gas into the Osaka Gas Group.

LPG sales volume rose 7.3% to 695,000 tons, and the number of retail customers increased 27,000 to 140,000. In the fiscal year ending March 31, 2004, we aim to increase sales volume and the number of retail customers through the marketing of such strategic products as home floor heating systems and bathroom heater-driers, in addition to the expansion of retail customers through the purchase of other company's sales channels.

The Osaka Gas Group will make every effort to reduce material procurement costs by integrating the supply and distribution structure, and through bulk purchasing of necessary quantities of LPG.



Others

Osaka Gas acquired an 85% stake in Nabari Kintetsu Gas Co., Ltd. in the fiscal year ended March 31, 2003. Nabari Kintetsu Gas supplies gas to approximately 15,000 customers in Nabari City, Mie Prefecture. The company also provides LPG to about 10,000 customers in Nabari City and surrounding areas by supplying LPG through pipelines and cylinders.

Osaka Gas International Transport Inc. owns three LNG tankers and a fourth tanker is currently under construction. The fourth LNG tanker is being built for the main purpose of hauling LNG from the Western Australia Expansion Project, which will be under contract from 2004. The fourth LNG tanker is scheduled to set sail in 2006.

Electric Power and Energy Solutions Businesses



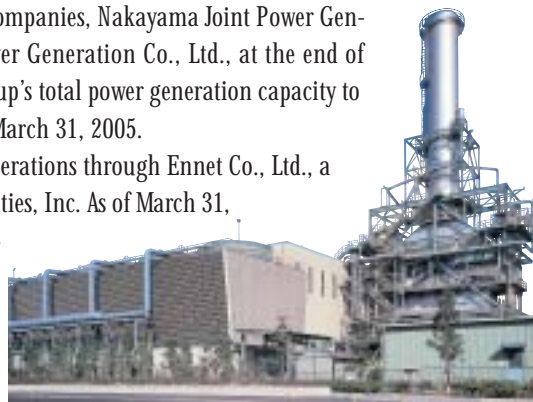
The Commercial & Industrial Energy Business Unit of Osaka Gas and the Gas and Power Investment (GPI) Group are in charge of the electric power business, which is targeting growth to become the second core business, and the energy solutions business, which leverages the Company's strengths in solution marketing. The GPI Group includes Gas and Power Investment Co., Ltd., which has group management functions and handles district heating and cooling operations; Gas and Power Co., Ltd. (G&P) and two other companies involved in the wholesale electricity business; and Cogen Techno Service Co., Ltd., which promotes cogeneration operations throughout Japan.

Electric Power

Starting wholesale electricity operations in April 2003, the Torishima Energy Center has a generating capacity of 150MW of electricity. Osaka Gas invested in two companies, Nakayama Joint Power Generation Co., Ltd. and Nakayama Nagoya Joint Power Generation Co., Ltd., at the end of fiscal 2003. This move will bring the Osaka Gas Group's total power generation capacity to 450MW at three plants from the fiscal year ending March 31, 2005.

The Company is developing its retail electricity operations through Ennet Co., Ltd., a joint venture with Tokyo Gas Co., Ltd. and NTT Facilities, Inc. As of March 31, 2003, Ennet provided a total of 80MW to 25 customers in the Kansai area.

Nakayama Joint Power Generation Co., Ltd.'s Funamachi Power Plant



Energy Solutions

In the energy solutions business, Cogen Techno Service Co., Ltd. (CTS) is involved in the installation of cogeneration systems to provide energy solutions to customers through its cogeneration-related and energy service company (ESCO) businesses.

As an example of the ESCO business, CTS has installed cogeneration systems at a commercial facility in Osaka and at a public health and medical facility. Since April 2003, Osaka Gas has been involved in two on-site power generation projects combining ESCO services with self power generation.

Non-Energy Business

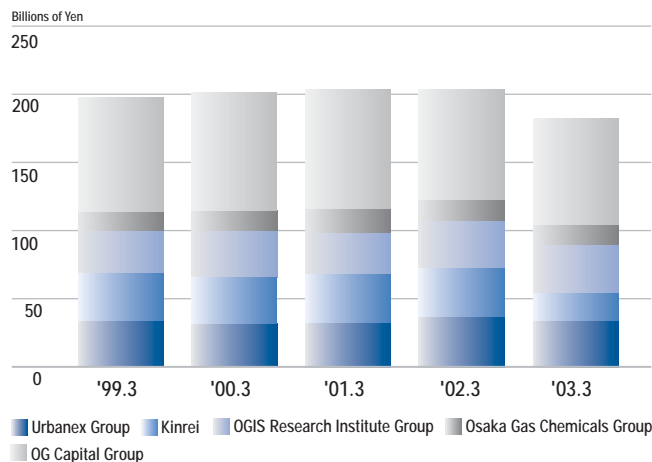


The non-energy business segment comprises five groups: the Urbanex Group of urban development businesses, including real estate; the Kinrei Group of food and restaurant businesses; the OGIS Research Institute Group of information-related businesses; the Osaka Gas Chemicals Group of companies involved in the areas of chemical products and materials; and the OG Capital Group, which is involved in engineering and general consumer services.

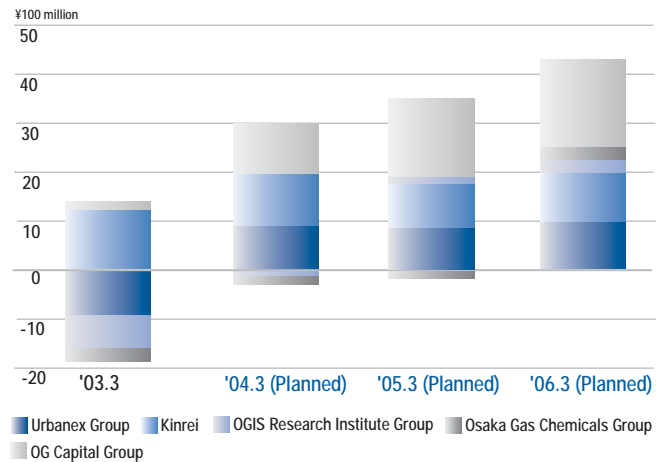
The maximization of shareholder's value added (SVA) is a management benchmark for each company in the Osaka Gas Group. Osaka Gas considers the achievement of a positive SVA to be a minimum requirement, and to this end is accelerating the selection and concentration of operations in conjunction with a review of the profitability and growth potential of each Group company business. In the fiscal year ended March 31, 2003, Osaka Gas sold real estate held by Urbanex in Kobe Harbor Land. In addition, the Company sold its shareholdings in Kiccory, a home improvement center operator, through OG Capital, and as well as its shareholdings in OG Royal, a restaurant operator, through Kinrei.

We aim to accelerate selection and concentration activities, improve business efficiency and increase profitability by strengthening independence and clarifying responsibilities in management at the five non-energy business groups. We are strategically allocating management resources in businesses with growth potential in an effort to maximize SVA.

Revenue in the Non-Energy Business Segment



SVA in the Non-Energy Business Segment



Urban Development Operations: Urbanex Group

The Urbanex Group is composed of 10 companies, including its core company, Urbanex Co., Ltd. Its main activities are real estate development, management and personnel services.

In fiscal 2003, Urbanex Group revenues decreased due to the sale of real estate in Kobe Harbor Land. The Company stepped up selection and concentration activities by closing the Ogimachi Museum Square. Moreover, demand has been firm for Planet Work's bridal services provided at the guest house of the Osaka Expo Memorial Park, contributing to steady growth in sales and profits.

We are focusing efforts on maximizing the value of the Osaka Gas Group's real estate holdings through property management to maximize asset value. We make every effort to expand the leasing business by fully utilizing idle property in the Osaka Gas Group.



Kyoto Research Park

Restaurant and Food-Related Operations: Kinrei

Consolidated subsidiary Kinrei operates chain restaurants, mainly the Kagono-ya chain of Japanese-style restaurants in 38 locations in the Kansai region. Kinrei also produces and sells frozen foods such as frozen noodles using refrigeration know-how derived from cryogenic technology employed in Osaka Gas' LNG operations.

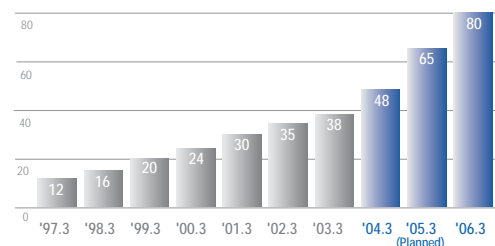
During the fiscal year under review, Kinrei revenues declined slightly, owing to weak domestic demand in the restaurant industry and tougher competition in the foods industry.

In the restaurant and foods sectors, Kinrei plans to increase the pace of restaurant openings with a particular concentration of management resources in Kagono-ya restaurant operations. Plans call for the opening of 10 restaurants in fiscal 2004 toward the creation of a 60-store chain in the Kansai region. The company also plans to make inroads into the Kanto region. In the foods sector, Kinrei aims to increase sales through the diversification of sales channels while strengthening its lineup of frozen prepared noodle products.



Kagono-ya entrée

Number of Restaurants



Information-Related Services Operations: OGIS Research Institute Group

The OGIS Research Institute Group is composed of six companies, of which Osaka Gas Information System Research Institute Co., Ltd. is the core company. These group companies are involved primarily in information-related business activities.

Supported by the Information Systems Department of Osaka Gas, OGIS Research Institute provides a wide spectrum of information-related services, including systems installation, consulting, development, administration and maintenance. The company's object-oriented programming technology, which is essential to the efficient development of advanced systems, is among the most advanced in Japan.

During the fiscal year under review, revenues of the OGIS Research Institute declined, owing to weak demand across the industry due to the IT slump, despite efforts to expand orders for systems development from customers outside the Group.

OGIS Research Institute plans to further promote its systems development services to customers outside the Group, mainly in areas of core competence—object-oriented programming and UML. In addition, OGIS Research Institute will accelerate the formation of a more solid group foundation by introducing strategic products and advanced technologies through alliances, including merger and acquisition activities.

Notes: •Object-oriented programming is a methodology that places emphasis on objects rather than procedures in the design and development of software. It improves efficiency in the development of massive, complex software projects.
•UML (Unified Modeling Language) is an industry-standard language used in the analysis and design of systems using object-oriented programming.

Osaka Gas Chemicals Group

The Osaka Gas Chemicals Group consists of seven companies, including the core company, Osaka Gas Chemicals Co., Ltd. Group companies manufacture and sell chemical products, carbon materials, and fine materials.

The Osaka Gas Chemicals Group draws on the accumulated carbon-related technology of the Osaka Gas Group to promote sales of various industrial products. In the chemical products field, the Osaka Gas Chemicals Group provides a variety of products derived from coal tar and crude benzene. In the carbon materials field, the Osaka Gas Chemicals Group manufactures and sells carbon fiber, activated carbon fiber and spherical carbon materials. Usable in a wide variety of applications, these high-performance materials are widely expected to meet the changing needs of society, especially with regard to environmental preservation. In anticipation of next-generation technological needs in the fine materials field, we are creating new value by developing new high-performance materials for LCDs, PCs and cellular phones.

In fiscal 2003, revenues increased in the Osaka Gas Chemicals Group on account of a recovery in prices for electrode materials. In the future, we will focus efforts on strengthening existing products such as electrode materials and environmentally friendly products such as chemicals and carbon materials. At the same time, we aim to build fine materials, including high-performance materials for audiovisual equipment, into a third earnings pillar. As a first step in this direction, in December 2001 we established Full Fine Co., Ltd. as a manufacturer of fine materials in a merger with JFE Chemical Corporation, a subsidiary of JFE Holdings, Inc. (formerly NKK). In December 2002, we also established OnFine Co., Ltd. as a fine materials sales company in a joint venture with the Nagase Industrial Group. Full Fine is currently building a plant in Kasaoka City, Okayama Prefecture, with operations to start in summer 2003.



Lightweight, heat-resistant materials used in the Shinkansen train "Nozomi"

OG Capital Group

The OG Capital Group consists of 18 companies, including the core company OG Capital Co., Ltd. These companies engage in a wide array of activities related to engineering, R&D, housing, services for the elderly, and other services.

During the fiscal year under review, the OG Capital Group saw revenues decline due to the sale of Kiccory as a result of selection and concentration activities. Excluding the effect of the Kiccory sale, however, revenues would have increased due to aggressive efforts by OG Sports to expand the athletic business by opening directly operated fitness clubs, L-Net to expand community information magazines, Osaka Gas Housing Equipment to increase housing sales, and Osaka Gas Security Service to expand security operations, mainly at housing complexes. In addition, we established OUD Co., Ltd. as a new business in deluxe *sen*to (public baths). In April 2003, OUD opened its first location near the west side of Expo Memorial Park in Osaka.

While advancing selection and concentration of various group operations, the OG Capital Group aims to expand earnings by investing management resources in businesses with growth potential.

Cospa Goido fitness facility in Kashiba City, Nara Prefecture, directly operated by OG Sports

