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Consolidated Six-Year Summary

OSAKA GAS CO., LTD. AND ITS SUBSIDIARIES

	Millions of Yen					
	1998	1999	2000	2001	2002	2003
For the Year:						
Operating revenues.....	¥ 853,598	¥ 831,366	¥ 849,225	¥ 951,926	¥ 973,565	¥ 947,977
Costs and expenses.....	790,503	764,991	786,501	877,872	876,888	862,004
Operating income	63,095	66,376	62,723	74,055	96,676	85,974
Other expenses	(17,424)	(13,538)	(16,781)	(14,210)	(31,313)	(34,949)
Income before income taxes	45,671	52,838	45,943	59,845	65,364	51,025
Income taxes.....	23,656	31,097	24,069	28,090	33,491	20,086
Net income.....	21,775	21,614	27,345	36,097	39,418	29,685
At Year-End:						
Total current assets.....	237,635	224,445	195,047	222,613	193,972	216,795
Investments and other assets	121,983	123,658	171,540	223,335	197,486	152,739
Property, plant and equipment, at cost.....	818,840	826,918	842,770	850,091	837,628	822,179
Intangibles	2,923	3,331	10,158	14,932	14,435	17,880
Total assets	1,181,380	1,178,352	1,219,514	1,310,976	1,243,520	1,209,627
Total current liabilities	336,137	300,917	287,099	263,502	254,375	246,343
Total non-current liabilities	461,815	495,012	499,952	565,770	513,300	501,869
Total shareholders' equity.....	381,954	380,846	428,523	475,019	468,706	453,284
Total interest-bearing debt.....	471,741	476,922	491,011	510,179	465,015	470,535
Number of consolidated companies.....	20	20	25	35	43	56
Per Share Data (Yen):						
Net income.....	¥ 8.61	¥ 8.56	¥ 10.94	¥ 14.72	¥ 16.33	¥ 12.56
Shareholders' equity.....	151.08	152.31	172.95	195.52	197.85	197.28
KEY RATIOS						
Equity ratio (%).....	32.3	32.3	35.1	36.2	37.7	37.5
Debt ratio (%).....	39.9	40.5	40.3	38.9	37.4	38.9
Interest coverage ratio (Times).....	5.4	6.8	7.6	9.8	13.2	14.2
Return on average total assets (%).....	1.8	1.8	2.3	2.9	3.1	2.4
Return on average shareholders' equity (%).....	5.8	5.7	6.8	8.0	8.4	6.4

GROUP COMPANIES

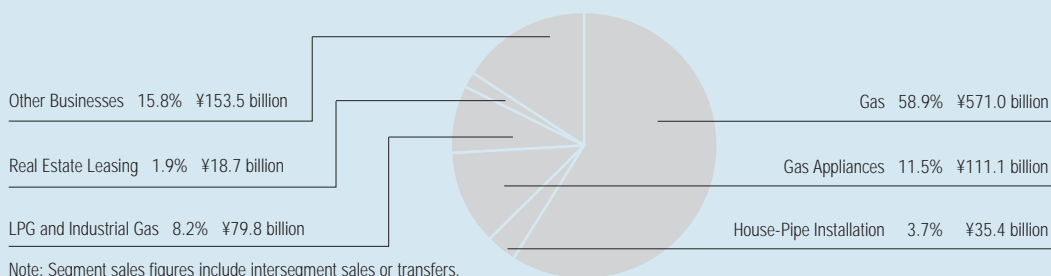
The Osaka Gas Group consists of 56 consolidated subsidiaries. The Group's business activities encompass such fields as gas supply, house-pipe installation, gas appliances, LPG and industrial gases, real estate leasing, and other operations. During the fiscal year ended March 31, 2003, Osaka Gas added 16 companies to and removed three companies from the scope of consolidation for a total of 56 consolidated subsidiaries, compared with 43 consolidated subsidiaries in the previous fiscal year.

Due to their increased relevance to operations, Osaka Gas added 16 subsidiaries to the scope of consolidation during the fiscal year under review. They were 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.

Also during the fiscal year ended March 31, 2003, Osaka Gas removed three companies from the scope of consolidation, comprising OG Royal Co., Ltd. (shares sold in April 2002), Harman Seiki Co., Ltd. (dissolved in April 2002), and Kiccory Co., Ltd. (shares sold in May 2002).

The Company acquired the shares of Nakayama Joint Power Generation Co., Ltd. and Nakayama Nagoya Joint Power Generation Co., Ltd. in March 2003, and as a result they are only reflected in the balance sheets in the fiscal year under review.

Operating Revenues Breakdown by Business Segment



OPERATING REVENUES

On a non-consolidated basis, Osaka Gas recorded a year-on-year increase of 2.8% in gas sales volume, contributing ¥10.5 billion to operating revenues. However, gas rates were reduced by an average of 5.04% in March 2002 and again by 0.87% in February 2003, adversely affecting operating revenues by ¥22.5 billion. In addition, a downward adjustment in unit prices under the fuel-cost adjustment system had an impact of ¥13.0 billion on operating revenues. As a result, operating revenues declined ¥28.8 billion year-on-year on a non-consolidated basis.

On a consolidated basis, operating revenues declined 2.6%, or ¥25.5 billion, to ¥947.9 billion compared with the previous fiscal year. The decline was due to the removal of three subsidiaries from the scope of consolidation, despite the addition of 16 companies to the scope of consolidation.

Gas

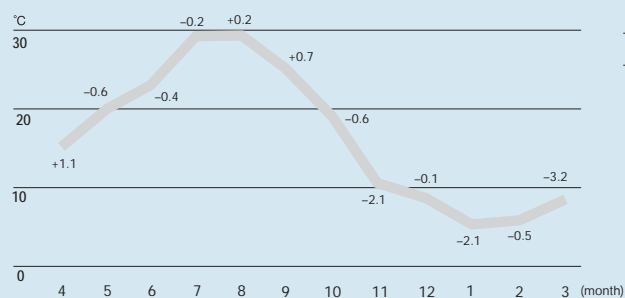
In the gas segment, Osaka Gas and subsidiary Nabari Kintetsu Gas Co., Ltd. manufacture, supply and sell gas.

In the residential sector, the number of customers increased by 76,000 to 6,248,000 compared with a year ago. Average monthly household usage increased 1.4% to 34.5 cubic meters, owing to measures to stimulate demand and below-average winter temperatures. As a result, total volume of sales in the residential gas sector rose 2.3% to 2,298 million cubic meters. In

		2003/3 A	2002/3 B	A-B	A/B
Customers (meters installed) (Thousands)	Residential use	6,248	6,172	76	1.2%
	Non-residential use	314	312	2	0.7%
	Total	6,562	6,484	77	1.2%
Average monthly usage per customer (m ³ /month)	Residential use	34.5	34.0	0.5	1.4%
	Overall average	108.0	106.4	1.6	1.5%
Gas sales volume (Million m ³)	Residential use	2,298	2,245	52	2.3%
	Non-residential use	5,222	5,098	124	2.4%
	Industrial use	3,686	3,630	56	1.5%
	Commercial use	986	965	21	2.2%
	Public & Medical use	550	504	47	9.3%
	Wholesale	168	135	32	23.8%
	Total	7,687	7,479	208	2.8%

Note: Figures exclude Nabari Kintetsu Gas.

Year-on-Year Changes in Air Temperature in Fiscal 2003 (Company Survey of Air Temperatures in Osaka)



[Reference] Average Annual Temperature (°C)

2003/3 A	2002/3 B	A-B
16.8	17.5	-0.7

the non-residential sector, total volume of gas sales grew 2.4% to 5,222 million cubic meters, with sales volume increasing 1.5% for industrial use, rising 2.2% for commercial use, and growing 9.3% for public and medical use, due in part to demand development and higher usage among existing customers. Including wholesale gas, total gas sales volume increased 2.8% to 7,687 million cubic meters from the previous fiscal year.

Although gas sales volume rose 2.8%, revenues declined 4.0%, or ¥23.5 billion, to ¥571.0 billion compared with the previous fiscal year on account of rate reductions implemented in March 2002 and February 2003.

House-Pipe Installation

Adversely affected by a decrease in new construction projects and downward revisions to unit prices on invoices, revenues in this sector declined 10.0%, or ¥3.9 billion, to ¥35.4 billion.

Gas Appliances

In the gas appliances segment, Osaka Gas and subsidiary Harman Co., Ltd. sell gas appliances. Harman will be removed from the scope of consolidation in the fiscal year ending March 31, 2004, as Harman sold shares to a non-Group company in April 2003, thus lowering Osaka Gas's ownership in the company to 10%.

Despite the sluggish economy, sales of home-use gas appliances were largely unchanged from the previous fiscal year, declining 1.7% to ¥111.1 billion. This was the result of aggressive marketing of hot water floor heating systems and bathroom heater-driers for homes, as well as cogeneration systems and gas heat pumps for industrial use.

LPG and Industrial Gas

Revenues in this sector advanced 13.3%, or ¥9.3 billion, to ¥79.8 billion due to higher LPG import prices that led to a rise in sales prices.

Real Estate Leasing

Revenues from rental real estate fell 6.2%, or ¥1.2 billion, to ¥18.7 billion as a consequence of selling real estate near Kobe Harbor Land to increase business efficiency.

Other Businesses

The other businesses segment includes the engineering and installation of various facilities related to gas and environmental protection; sales of housing and office equipment; information processing services; installment purchases; leasing of automobiles and business-related equipment; leasing of LNG tankers; district heating and cooling systems; LNG handling services; and frozen foods and restaurants.

Osaka Gas and subsidiary Gas and Power Investment Co., Ltd. are primarily involved in district heating and cooling operations. Osaka Gas and subsidiaries Gas and Power Co., Ltd., Nakayama Joint Power Generation Co., Ltd., and Nakayama Nagoya Joint Power Generation Co., Ltd. are engaged in the wholesale supply of electricity. Subsidiary Kinrei Co., Ltd. (OTC code 2661) produces and sells frozen foods and operates restaurants including chain stores.

As a result of promoting the concentration and selection of businesses, the Company sold restaurant operator OG Royal Co., Ltd. and home improvement center operator Kiccory Co., Ltd. Although wholesale electricity sales increased with the start of operations of the Torishima Energy Center at Gas and Power Co., Ltd., revenues in the other sector declined 2.2%, or ¥3.5 billion, to ¥153.5 billion.

Operating Revenues and Operating Profit

(Unit: 100 million yen/Upper figures show changes from the previous year)

	Gas	House-Pipe Installation	Gas Appliances	LPG and Industrial Gas	Real Estate Leasing	Other Businesses	Elimination and Corporate	Consolidated Results
Operating Revenues	-4.0%	-10.0%	-1.7%	+13.3%	-6.2%	-2.2%		-2.6%
	5,710	354	1,111	798	187	1,535	(218)	9,479
Operating Profit	-9.2%	-49.4%	+15.7%	+60.9%	+27.3%	+18.7%		-11.1%
	1,264	13	9	19	56	202	(706)	859

OPERATING INCOME

Osaka Gas made every effort to reduce costs across the board, through ongoing personnel and labor cost reductions, controls on spending, restrictions on facility construction, and lower depreciation. Moreover, operating income increased at existing consolidated subsidiaries, and the number of consolidated subsidiaries increased. Adversely affected by gas rate reductions, however, total operating income declined 11.1%, or ¥10.7 billion, to ¥85.9 billion.

Gas

Efforts to control costs across operations were insufficient to cover for the impact of gas rate reductions. As a result, operating income for this sector fell 9.2%, or ¥12.8 billion, to ¥126.4 billion.

House-Pipe Installation

Although expenses decreased in line with fewer installations, the impact of sales declines led to a drop of 49.4%, or ¥1.2 billion, in operating income to ¥1.3 billion.

Gas Appliances

As a result of efforts to control costs, mainly distribution and appliance supply costs, operating income in the gas appliances sector climbed 15.7%, or ¥0.1 billion, to ¥0.9 billion.

LPG and Industrial Gas

Operating income for the LPG and industry gas sector increased 60.9%, or ¥0.7 billion, to ¥1.9 billion, owing to efforts to reign in costs and the addition of new consolidated subsidiaries such as Nabari Kintetsu Gas Co., Ltd.

Real Estate Leasing

In the rental real estate sector, operating income grew 27.3%, or ¥1.2 billion, to ¥5.6 billion as a result of efforts to control costs and the impact of lower expenses due to higher business efficiency.

Other Businesses

Operating income in the other business sector rose 18.7%, or ¥3.1 billion, to ¥20.2 billion, owing to the positive effects of lower expenses due to restructuring, and higher profits in the district heating and cooling operations of Gas and Power Investment Co., Ltd. as well as the wholesale electricity business of Gas and Power Co., Ltd.

NET INCOME

Due to the weak domestic stock market, the Company recorded a loss on the write-down of investment securities amounting to ¥9.5 billion in other expenses. Osaka Gas also posted a one-time expense of ¥13.2 billion for the expansion of the early retirement program in the fiscal year under review, and a loss of ¥10.5 billion on the sale of real estate in Kobe Harbor Land in other expenses. In addition, the Company recorded extraordinary losses of ¥10.3 billion from the cancellation of plans to build the Tsuruga LNG terminal in the previous fiscal year. Osaka Gas recorded gains on the sale of securities in other income during the fiscal year under review. As a consequence, compared with the previous fiscal year, net income fell 24.7%, or ¥9.7 billion, to ¥29.6 billion.

ASSETS

As of March 31, 2003, total assets stood at ¥1,209.6 billion, a decline of ¥33.8 billion from a year earlier. In the gas segment, assets decreased ¥16.8 billion to ¥660.7 billion, owing to less capital investment in gas supply facilities and progress in depreciation. In the rental real estate segment, assets fell ¥26.6 billion to ¥81.9 billion due to the sale of real estate in Kobe Harbor Land held by Urbanex Co., Ltd. In the other business segment, assets increased ¥20.5 billion to ¥233.6 billion, owing to the addition of Nakayama Joint Power Generation Co., Ltd. and Nakayama Nagoya Joint Power Generation Co., Ltd. into the scope of consolidation. Elimination and corporate decreased ¥12.5 billion to ¥132.7 billion on account of mark-to-market valuation of investment securities held by Osaka Gas.

LIABILITIES AND SHAREHOLDERS' EQUITY

Total liabilities fell ¥19.4 billion to ¥748.2 billion. This decline was due in part to a review of the lump-sum retirement benefit system and the expansion of eligibility for the early retirement program, which resulted in a year-on-year decline of ¥27.9 billion in the reserve for employee's severance and retirement benefits.

Shareholders' equity amounted to ¥453.2 billion as of March 31, 2003, a decline of ¥33.8 billion from the end of the previous fiscal year. Osaka Gas bought back ¥21.1 billion of its own stock during the fiscal year under review, and net unrealized gains on securities decreased ¥10.9 billion due to the weak stock market.

CASH FLOW POSITION

During the fiscal year ended March 31, 2003, net cash provided by operating activities decreased ¥62.5 billion from the previous fiscal year to ¥92.5 billion. The main reasons for this decline were the fall in operating income due to gas rate reductions and a decrease in employees' retirement benefits. Net cash used in investing activities fell ¥38.9 billion to ¥49.6 billion, owing to a decline in capital investment and proceeds from the sale of property, plant and equipment. Net cash used in financing activities totaled ¥30.0 billion. The Company issued corporate bonds amounting to ¥20.0 billion and ¥40.0 billion in June 2002 and February 2003, respectively. Osaka Gas did not raise capital through the issuance of long-term debt. Moreover, the Company repaid ¥4.3 billion of long-term debt, and also ¥14.8 billion of corporate bonds.

As a result of these activities, cash and cash equivalents at end of year totaled ¥26.0 billion, an increase of ¥13.2 billion from a year earlier.

(Unit: 100 million yen)

	2003/3	2002/3	Increase/Decrease
Cash Flows from Operating Activities	925	1,551	-625
Cash Flows from Investing Activities	-496	-885	389
Cash Flows from Financing Activities	-300	-828	527
Increase/Decrease of Cash and Cash Equivalents	132	-158	290
Cash and Cash Equivalents at Year-End	260	128	132

CAPITAL INVESTMENT

Capital investment in the fiscal year under review totaled ¥67.1 billion, of which ¥36.6 billion was invested in gas supply facilities. Major projects included the ongoing construction of the No. 8 LNG tank at the Himeji Terminal for production facilities. For supply facilities, the Company extended gas pipelines by 415 kilometers, bringing the total length to 44,706 kilometers as of March 31, 2003. Construction continues on the Kinki-Shiga Trunk Pipeline.

(Unit: 100 million yen)

	2003/3	2002/3	Increase/Decrease
Production Facilities	57	80	-23
Supply Facilities	366	402	-36
Operational Facilities, etc.	60	168	-108
Total (Non-Consolidated)	483	650	-167
Total (Consolidated)	671	899	-228

QUANTITATIVE AND QUALITATIVE ANALYSES OF RISKS

Business Risks

As an independent corporation, Osaka Gas believes it has the management resources and business strategies to prosper amid competition for the foreseeable future based on currently available information. Profitability in the core gas business is primarily affected by the following factors:

- Declines in demand and prices due to the removal of barriers to outside companies participating in the gas business in accordance with deregulation in Japan's gas industry.
- Fluctuations in weather and water temperatures affect gas demand.
- Greater-than-expected fluctuations in crude oil prices and exchange rates, which form the basis for LNG prices. LNG is the primary raw material for producing gas.

Although it is possible to pass on the effect of changes in crude oil prices and exchange rates to gas sale prices through the application of the fuel-cost adjustment system, a time lag in the process may cause these effects to extend across different fiscal years. The Company hedges against certain risks presented by changes in weather and water temperatures through the use of derivative instruments.

The profitability of other businesses is affected by conditions in their respective markets. However, these businesses do not have a significant impact on the Company's overall performance.

Risk Management Policy

In addition to business risks, the Osaka Gas Group is exposed to market risks, including changes in foreign exchange and interest rates. To hedge against these risks, the Osaka Gas Group employs derivative transactions. These transactions are for the sole purpose of hedging against risks based on actual demand conditions. The Company does not conduct derivative transactions for speculative purposes. The execution and management of derivative transactions are based on internal rules and handled by the finance department of each Group company, and overseen on a Groupwide basis by the accounting and finance departments of Osaka Gas.

The Osaka Gas Group constantly monitors market risks by periodically evaluating the market value of derivative transactions. The Osaka Gas Group believes that credit risk is negligible for the parties with which it enters into derivative transactions, as the Company only deals with major financial institutions in accordance with requirements stipulated by internal rules.

Foreign Exchange Risks

The Osaka Gas Group engages in currency swap contracts for principal on the issuance of applicable debt as a hedge against currency fluctuation risks on debt denominated in foreign currencies. These transactions are completed on the interest payment and maturity dates of the debt.

The Osaka Gas Group engages in forward foreign currency contracts as it procures LNG, LPG and other basic materials with U.S. dollars for foreign currency payables. Forward foreign currency contracts for this purpose are in principle settled within a short period of approximately one week, and do not substantially affect the performance of the Osaka Gas Group.

Interest Rate Risks

The Osaka Gas Group sustains an appropriate level of interest rate risk for capital procurement, and to reduce capital procurement costs over the long term, engages in interest rate swap contracts for corporate bonds and debt. Interest rate risk is determined through an assessment based on the value-at-risk (VaR) method.

The Company uses interest rate swap contracts as and when necessary to fix appropriate interest rate levels against a specified amount of future cash flow.

Osaka Gas does not apply hedge accounting to a portion of its interest rate swap transactions, and disposes of these transactions in accordance with mark-to-market accounting rules.

Note: The VaR method estimates the amount of maximum possible losses through a simulation of future price fluctuations on relevant assets.

NOTE REGARDING SEGMENT INFORMATION

The gas segment, presented as the gas and by-products segment in the fiscal year ended March 31, 2002, included by-product sales. The name was changed to the gas segment following the reclassification of cooling and heating transactions, which had been shown in by-product sales, into non-operating income.

The former foods and restaurant segment is now included in the other business segment, owing to the declining importance of these operations due to a reduction in the number of relevant consolidated subsidiaries. For the previous fiscal year, the other business segment has been restated to include the food and restaurant segment.

Independent Auditors' Report

OSAKA GAS CO., LTD.
March 31, 2002 and 2003

To the Shareholders and Board of Directors of
Osaka Gas Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Osaka Gas Co., Ltd. and subsidiaries as of March 31, 2002 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Osaka Gas Co., Ltd. and subsidiaries as of March 31, 2002 and 2003, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan as described in Note 1 to the consolidated financial statements.

The consolidated financial statements as of and for the year ended March 31, 2003 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into United States dollars on the basis set forth in Note 1 to the consolidated financial statements.

Osaka, Japan
June 27, 2003



Consolidated Balance Sheets

OSAKA GAS CO., LTD. AND ITS SUBSIDIARIES

As of March 31, 2002 and 2003

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2003	2003
Current Assets:			
Cash and time deposits	¥ 12,892	¥ 29,706	\$ 247,138
Receivables:			
Trade notes and accounts	105,580	113,216	941,897
Allowance for doubtful receivables	(764)	(731)	(6,082)
	104,816	112,485	935,815
Inventories	32,289	27,618	229,767
Deferred tax assets (Note 13)	11,778	11,555	96,132
Other current assets	32,197	35,432	294,775
Total current assets	193,972	216,796	1,803,627
Investments and Other Assets:			
Investments in securities:			
Unconsolidated subsidiaries and affiliated companies	32,565	21,598	179,684
Other (Note 4)	95,786	61,271	509,742
Deferred tax assets (Note 13)	35,484	38,670	321,714
Other investments and other assets	36,123	33,937	282,338
Allowance for doubtful receivables	(2,472)	(2,737)	(22,771)
	197,486	152,739	1,270,707
Property, Plant and Equipment, at Cost:			
Production facilities	476,541	476,242	3,962,080
Distribution facilities	1,343,679	1,374,106	11,431,830
Service and maintenance facilities	181,820	177,192	1,474,143
Other	312,867	324,171	2,696,930
Construction in progress	66,807	70,127	583,420
	2,381,714	2,421,838	20,148,403
Less accumulated depreciation	1,544,086	1,599,658	13,308,303
	837,628	822,180	6,840,100
Intangibles and Deferred Assets	14,435	17,913	149,027
	¥ 1,243,521	¥ 1,209,628	\$ 10,063,461

See accompanying notes.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2003	2003
Current Liabilities:			
Short-term loans	¥ 31,426	¥ 20,246	\$ 168,436
Long-term debt due within one year (Note 5)	29,582	39,824	331,315
Trade notes and accounts payable.....	39,717	43,207	359,459
Accrued income and enterprise taxes	30,976	17,542	145,940
Other current liabilities (Note 13).....	122,674	125,524	1,044,293
Total current liabilities	254,375	246,343	2,049,443
Long-Term Debt Due after One Year (Note 5)	389,007	410,466	3,414,858
Employees' Severance and Retirement Benefits (Note 10)	98,549	70,585	587,230
Reserve for Repairs of Gas Holders	1,602	1,639	13,636
Other Non-Current Liabilities (Note 13).....	24,143	19,180	159,567
Minority Interests	7,139	8,130	67,637
Contingent Liabilities (Note 7)			
Shareholders' Equity:			
Common stock			
Authorized — 3,840,849 thousand shares in 2003 and 3,840,849 thousand shares in 2002			
Issued — 2,369,012 thousand shares in 2003 and 2,369,012 thousand shares in 2002 (Note 6).....	132,167	132,167	1,099,559
Capital surplus (Note 6)	19,482	19,482	162,080
Retained earnings	296,338	312,831	2,602,587
Net unrealized gains on securities	20,729	9,825	81,739
Foreign currency translation adjustments.....	—	85	707
Treasury stock, at cost.....	(10)	(21,105)	(175,582)
Total shareholders' equity	468,706	453,285	3,771,090
	¥ 1,243,521	¥ 1,209,628	\$ 10,063,461

Consolidated Statements of Shareholders' Equity

OSAKA GAS CO., LTD. AND ITS SUBSIDIARIES

For the years ended March 31, 2002 and 2003

	Millions of Yen						
	Shares of Common Stock Issued (Thousands)	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gains on Securities	Foreign Currency Translation Adjustments	Treasury Stock, at Cost
Balance at March 31, 2001	2,429,564	¥132,167	¥19,482	¥ 288,140	¥ 35,254	¥ —	¥ (23)
Net income.....				39,418			
Decrease in net unrealized gains on securities.....					(14,525)		
Cash dividends (including interim dividends).....				(13,363)			
Bonuses to directors				(70)			
Common stock purchased and retired.....	(60,552)			(18,513)			
Increase due to newly consolidated subsidiaries.....				697			
Increase due to a subsidiary excluded from consolidation				29			
Decrease in treasury stock, net.....							13
Balance at March 31, 2002	2,369,012	132,167	19,482	296,338	20,729	—	(10)
Net income.....				29,686			
Decrease in net unrealized gains on securities.....					(10,904)		
Adjustments from translation of foreign currency financial statements.....						85	
Cash dividends (including interim dividends).....				(14,211)			
Bonuses to directors				(71)			
Increase due to newly consolidated subsidiaries.....				1,631			
Decrease due to a subsidiary excluded from consolidation				(542)			
Increase in treasury stock, net.....							(21,095)
Balance at March 31, 2003	2,369,012	¥132,167	¥19,482	¥ 312,831	¥ 9,825	¥ 85	¥(21,105)

	Thousands of U.S. Dollars (Note 1)						
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gains on Securities	Foreign Currency Translation Adjustments	Treasury Stock, at Cost	
Balance at March 31, 2002	\$1,099,559	\$162,080	\$ 2,465,374	\$ 172,454	\$ —	\$ (83)	
Net income			246,972				
Decrease in net unrealized gains on securities				(90,715)			
Adjustments from translation of foreign currency financial statements					707		
Cash dividends (including interim dividends)			(118,228)				
Bonuses to directors.....			(591)				
Increase due to newly consolidated subsidiaries.....			13,569				
Decrease due to a subsidiary excluded from consolidation.....			(4,509)				
Increase in treasury stock, net						(175,499)	
Balance at March 31, 2003	\$1,099,559	\$162,080	\$ 2,602,587	\$ 81,739	\$707	\$ (175,582)	

See accompanying notes.

Consolidated Statements of Cash Flows

OSAKA GAS CO., LTD. AND ITS SUBSIDIARIES

For the years ended March 31, 2002 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2003	2003
Cash Flows from Operating Activities:			
Income before income taxes	¥ 65,364	¥ 51,025	\$ 424,501
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation	88,793	82,805	688,893
Decrease in employees' retirement benefits	(2,333)	(27,942)	(232,463)
Interest and dividend income	(1,639)	(1,290)	(10,732)
Interest expense	7,339	6,149	51,156
Loss on debt assumption	3,316	—	—
Gain on sale of investments	(445)	(9,070)	(75,457)
Loss on write-down of investment securities	7,266	9,513	79,143
Loss on write-down of investments in unconsolidated subsidiaries and affiliates	319	4,887	40,657
Gain on sale of property, plant and equipment, net	(918)	(2,011)	(16,730)
Loss on sale of property, plant and equipment, net	423	11,609	96,581
Loss on disposal of property, plant and equipment	4,044	2,498	20,782
Lump-sum payments for early retirement	—	12,958	107,804
Loss on cancellation of construction plan	10,382	—	—
Decrease (increase) in receivables	7,100	(3,951)	(32,870)
Decrease in inventories	4,113	4,557	37,912
Increase (decrease) in payables	(6,527)	2,944	24,492
Decrease in accrued expenses	(8,230)	(3,087)	(25,682)
Other	10,878	3,052	25,391
Total adjustments	123,881	93,621	778,877
Interest and dividends received	1,642	1,286	10,699
Interest paid	(7,692)	(6,061)	(50,425)
Lump-sum payments for early retirement	—	(12,958)	(107,804)
Income and enterprise taxes paid	(28,074)	(34,339)	(285,682)
Net cash provided by operating activities	155,121	92,574	770,166
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment	(82,620)	(67,756)	(563,694)
Purchase of intangibles	(1,803)	—	—
Proceeds from sales of property, plant and equipment	—	11,678	97,155
Purchase of investment securities	—	(8,753)	(72,820)
Proceeds from sale of investment securities	727	22,945	190,890
Purchase of investments in subsidiaries and affiliates	(5,071)	(3,307)	(27,513)
Proceeds from sale of subsidiaries and affiliates	3,070	2,034	16,922
Decrease in short-term bank loan, net	—	1,962	16,323
Purchase of investments accompanied by change of the scope of consolidation	—	(3,468)	(28,852)
Decrease on purchase of business	(3,005)	—	—
Other	155	(4,965)	(41,306)
Net cash used in investing activities	(88,547)	(49,630)	(412,895)
Cash Flows from Financing Activities:			
Decrease in short-term loans	(5,833)	(9,721)	(80,874)
Net increase in commercial paper	15,000	9,000	74,875
Proceeds from long-term debt	20,669	5,646	46,972
Repayment of long-term debt	(31,140)	(24,781)	(206,165)
Proceeds from issuance of bonds	—	39,970	332,529
Repayment of bonds	(49,616)	(14,848)	(123,527)
Common stock retired	(18,522)	(21,095)	(175,499)
Cash dividends paid	(13,355)	(14,159)	(117,795)
Cash dividends paid to minority shareholders	(94)	(106)	(882)
Other	23	—	—
Net cash used in financing activities	(82,868)	(30,094)	(250,366)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	6	(18)	(150)
Net Increase (Decrease) in Cash and Cash Equivalents	(16,288)	12,832	106,755
Cash and Cash Equivalents at Beginning of Year	28,676	12,837	106,797
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	449	2,119	17,629
Decrease in Cash and Cash Equivalents by Exclusion from Consolidation	—	(1,694)	(14,093)
Cash and Cash Equivalents at End of Year	¥ 12,837	¥ 26,094	\$ 217,088
Supplemental Disclosures of Cash Flow Information:			
Cash and Cash Equivalents:			
Cash and time deposits in the balance sheets	¥ 12,892	¥ 29,706	\$ 247,138
Time deposits with maturities over three months	(55)	(3,612)	(30,050)
Cash and Cash Equivalents at End of Year	¥ 12,837	¥ 26,094	\$ 217,088

See accompanying notes.

Notes to Consolidated Financial Statements

OSAKA GAS CO., LTD. AND ITS SUBSIDIARIES

For the years ended March 31, 2002 and 2003

1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Osaka Gas Co., Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Gas Utility Law and related regulations, the Japanese Commercial Code and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). The accounts of an overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in its country of domicile.

Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the

inclusion of statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2003, which was ¥120.20 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Certain 2002 consolidated financial statement items have been reclassified to conform to the presentation for 2003.

2 SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation

Companies which are owned 40% or more and substantially controlled by the Parent are considered subsidiaries and included in the consolidation.

The consolidated financial statements include the accounts of the Company and its 56 (43 in 2002) significant subsidiaries. Consolidation of the remaining subsidiaries would have no material effect on the accompanying consolidated financial statements. Intercompany transactions and accounts have been eliminated.

The difference between the cost of investments and equity in their net assets at dates of acquisition of consolidated companies is charged or credited to income within 20 years. If the difference isn't significant, it is charged or credited to income in the first year of consolidation.

Investments in unconsolidated subsidiaries and affiliates are not accounted for by the equity method, because they are insignificant.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

(2) Consolidated statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(3) Securities

Trading securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by unconsolidated subsidiaries and affiliated companies are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains on sale of such securities are computed using moving-average cost.

Debt securities with no available fair market value are stated at amortized

cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by subsidiaries and affiliated companies, and available-for-sale securities declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by subsidiaries and affiliated companies is not readily available, such securities should be written down to net asset value in the event net asset value declines significantly. Unrealized losses on these securities are reported in the income statement.

(4) Derivatives and hedge accounting

Derivatives are stated at market value. See Note 2 (17).

(5) Allowance for doubtful receivables

The Company and its consolidated subsidiaries (the "Companies") provided the allowance for doubtful accounts principally at an amount computed based on the actual ratio of bad debts in the past plus the estimated uncollectible amounts based on the analysis of certain individual receivables.

(6) Inventories

Finished goods and merchandise are valued at weighted-average cost, except certain goods of consolidated subsidiaries which are valued at first-in, first-out cost or the most recent purchase price methods. Raw materials and supplies are primarily valued at moving average cost.

(7) Property, plant and equipment

Depreciation is provided on the declining-balance method (the straight-line method by certain consolidated subsidiaries) over estimated useful lives. However, the Company and its domestic consolidated subsidiaries depreciate buildings acquired on or after April 1, 1998 on the straight-line method.

Repair and maintenance expenditures, excluding gas holders, are charged to income when incurred and major improvements are capitalized.

Certain capital gains arising from beneficiaries' contributions or expropriations of property, deferral of which is permitted for tax purposes, are offset against the acquisition cost of property purchased. Cumulative capital gains offset against the acquisition cost of property, plant and equipment at March

31, 2002 and 2003 were ¥267,191 million and ¥279,516 million (\$2,325,424 thousand), respectively.

(8) Software costs

The Companies include software in intangible assets and depreciate it using the straight-line method over estimated useful lives.

(9) Research and development expenses

The Companies charge research and development expenses to selling, general and administrative expenses and manufacturing costs as incurred. Research and development expenses amounted to ¥15,047 million and ¥13,726 million (\$114,193 thousand) for the years ended March 31, 2002 and 2003.

(10) Income taxes

Income taxes comprise corporation tax, prefectural and municipal inhabitants taxes and enterprise tax.

The Companies have adopted the accounting standard, which recognizes tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(11) Employees' severance and retirement benefits

The Companies provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

The Companies provided for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets.

Prior service costs are recognized in expenses when they arise, and actuarial gains and losses are recognized in expenses over 10 years commencing with the following period.

(12) Bonuses

The Companies follow the general Japanese practice of paying bonuses to employees in June and December. Accrued bonus liabilities at the balance sheet date are calculated based upon management's estimate of annual amounts thereof and included in accrued expenses. Bonuses to directors, which are subject to approval at the general meeting of shareholders, are accounted for as an appropriation of retained earnings.

(13) Reserve for repairs of gas holders

The Company and certain consolidated subsidiaries provide for future repairs to gas holders by estimating future expenditures and charging to income in equal annual amounts. The difference between the actual expenditure and the amount provided is charged to income in the year the repair is completed.

(14) Bond and note issue expenses

Bond and note issue expenses are charged to expense when incurred.

(15) Accounting for leases

Finance leases which do not transfer ownership are accounted for in the same manner as operating leases under Japanese GAAP.

(16) Translation of foreign currencies

Receivables and payables denominated in foreign currencies are translated

into Japanese yen at the year-end rates.

Assets and liabilities of a foreign subsidiary are translated into Japanese yen at year-end rates. Shareholders' equity of a foreign subsidiary is translated into Japanese yen at the historical rates. Income and expenses of a foreign subsidiary are translated into Japanese yen at interim average rates. The translation differences arising from the use of different rates are recognized as minority interests and foreign currency translation adjustments in the consolidated balance sheets.

(17) Derivative transactions and hedge accounting

The Companies state derivative financial instruments at fair value at the end of the fiscal year and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign currency exchange contracts and currency swap contracts are used as hedges and meet certain hedging criteria, forward foreign currency exchange contracts and currency swap contracts and hedged items are accounted for in the following manner:

If a forward foreign currency exchange contract or a currency swap contract is executed to hedge an existing foreign currency receivable or payable, the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in income statement in the period which includes the inception date.

If a forward foreign currency exchange contract or a currency swap contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign currency exchange contract are recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(18) Accounting standard for treasury stock and reversal of statutory reserves

Effective April 1, 2002, the Company adopted the new accounting standard for treasury stock and reversal of statutory reserves (Accounting Standards Board Statement No. 1, "Accounting Standard for Treasury Stock and Reversal of Statutory Reserves," issued by the Accounting Standards Board of Japan on February 21, 2002).

The adoption of the new accounting standard had no impact on the financial statements.

(19) Net income per share

The computations of net income per share of common stock shown on the consolidated statements of income are based on the weighted average number of shares outstanding during each fiscal year.

Effective April 1, 2002, the Company adopted the new accounting standard for net income per share and related guidance (Accounting Standards Board Statement No. 2, "Accounting Standard for Net Income per Share" and Financial Standards Implementation Guidance No. 4, "Implementation Guidance for Accounting Standard for Net Income per Share," issued by the Accounting Standards Board of Japan on September 25, 2002).

In addition net income per share for the year ended March 31, 2002 would have been reported as follows, if this new accounting standard were applied retroactively.

	For the year ended March 31, 2002
Net income per share	¥16.30

Diluted net income per share of common stock for the years ended March 31, 2002 and 2003 is not shown since there were no outstanding convertible bonds or other common stock equivalents.

3 ADDITIONAL INFORMATION

Effect of bank holidays on March 31, 2002

As financial institutions in Japan were closed on March 31, 2002, amounts that would normally be settled on March 31, 2002 were collected or paid on the following business day, April 1, 2002. The effects of the settlements on April 1 instead of March 31 included the following:

	Millions of Yen
	2002
Cash and cash equivalents:	
Decreased	¥329
Trade notes and accounts receivable:	
Increased	726
Trade notes and accounts payable:	
Increased	397

4 SECURITIES

(1) The following tables summarize acquisition costs, book values (fair values) of securities with available fair values as of March 31, 2002 and 2003:

Available-for-sale securities:

Securities with available fair values (book values) that exceed acquisition cost:

	Millions of Yen			Thousands of U.S. Dollars
	Acquisition Cost	Book Value	Difference	Difference
For 2002:				
Equity securities	¥26,775	¥64,861	¥38,086	
Bonds	28	29	1	
Total	¥26,803	¥64,890	¥38,087	
For 2003:				
Equity securities	¥13,916	¥30,304	¥16,388	\$136,339
Bonds	1	1	—	—
Total	¥13,917	¥30,305	¥16,388	\$136,339

Securities with available fair values (book values) that do not exceed acquisition cost:

	Millions of Yen			Thousands of U.S. Dollars
	Acquisition Cost	Book Value	Difference	Difference
For 2002:				
Equity securities	¥12,627	¥11,356	¥(1,271)	
Bonds	10,000	7,522	(2,478)	
Total	¥22,627	¥18,878	¥(3,749)	
For 2003:				
Equity securities	¥12,616	¥12,177	¥ (439)	\$ (3,652)
Bonds	9	9	—	—
Total	¥12,625	¥12,186	¥ (439)	\$ (3,652)

(2) The following table summarizes book values of securities with no available fair values as of March 31, 2002 and 2003:

Available-for-sale securities:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
Non-listed (non-quoted) equity securities	¥12,029	¥18,780	\$156,240

(3) Maturities of available-for-sale securities with maturities are as follows:

	Millions of Yen			
	Within One Year	Over One Year but Within Five Years	Over Five Years but Within Ten Years	Total
For 2002:				
Governmental bonds and municipal bonds	¥11	¥18	¥ —	¥ 29
Bonds	—	—	7,522	7,522
	¥11	¥18	¥7,522	¥7,551

For 2003:

Governmental bonds and municipal bonds	¥ 9	¥ 1	¥ —	¥ 10
	¥ 9	¥ 1	¥ —	¥ 10

	Thousands of U.S. Dollars			
	Within One Year	Over One Year but Within Five Years	Over Five Years but Within Ten Years	Total
For 2003:				
Governmental bonds and municipal bonds	\$75	\$ 8	\$ —	\$ 83
	\$75	\$ 8	\$ —	\$ 83

(4) Total sales of available-for-sale securities sold in the year ended March 31, 2002 and 2003 amounted to ¥728 million and ¥22,945 million (\$190,890 thousand) and the related gains and losses amounted to ¥445 million and ¥9,070 million (\$75,457 thousand) and ¥135 million and ¥1,280 million (\$10,649 thousand), respectively.

5 LONG-TERM DEBT

Long-term debt at March 31, 2002 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
Loans principally from banks and insurance companies, principally at 0.071%-5,850%, maturing serially through 2034.....	¥203,861	¥210,410	\$1,750,499
5.875% notes payable in Euroyen due 2012.....	10,000	10,000	83,195
2.95% notes payable due 2005.....	15,000	15,000	124,792
3.4% notes payable due 2017.....	15,700	15,700	130,616
7.125% bonds payable in U.S. dollars due 2007.....	48,960	48,960	407,321
2.9% notes payable due 2018.....	30,000	30,000	249,584
1.47% notes payable due 2008.....	30,000	30,000	249,584
LIBOR+0.36% bonds payable in U.S. dollars due 2003.....	4,848	—	—
1.95% notes payable due 2009.....	20,000	20,000	166,389
0.75% notes payable due 2003.....	10,000	—	—
1.23% notes payable due 2005.....	20,000	20,000	166,389
2.06% notes payable due 2007.....	220	220	1,831
0.675% notes payable due 2004.....	10,000	10,000	83,195
1.46% notes payable due 2012.....	—	20,000	166,389
1.47% notes payable due 2022.....	—	20,000	166,389
	418,589	450,290	3,746,173
Less amounts due within one year.....	29,582	39,824	331,315
	¥389,007	¥410,466	\$3,414,858

In the year ended March 31, 1998, the Company entered into debt assumption agreements with banks for 6.10% notes payable due 2003 (¥29,000 million).

In the year ended March 31, 1999, the Company entered into debt assumption agreements with banks for 5.45% notes payable due 2004 (¥20,000 million).

6 SHAREHOLDERS' EQUITY

Under the Commercial Code of Japan, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

Effective October 1, 2001, the Commercial Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may

In the year ended March 31, 2000, the Company entered into debt assumption agreements with banks for 8.125% bonds payable in Sterling pounds due 2003 (¥15,933 million) and loans from banks (¥14,367 million due through the year ended March 31, 2010).

In the year ended March 31, 2002, the Company entered into debt assumption agreements with banks for 2.95% notes payable due 2005 (¥33,900 million) and loans from banks (¥8,255 million due through the year ended March 31, 2010).

However, the Company remains contingently liable on the amounts assumed by the banks.

Assets pledged as collateral mainly for short-term loans and long-term debt totaling ¥20,145 million and ¥37,834 million (\$314,759 thousand) at March 31, 2002 and 2003 respectively were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
Property, plant and equipment.....	¥48,733	¥63,274	\$526,406
Cash and time deposits.....	22	2,053	17,080
Accounts receivable.....	—	802	6,672
Investments in securities.....	—	690	5,741
	¥48,755	¥66,819	\$555,899

The annual maturities of long-term debt are as follows at March 31, 2003:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2004.....	¥ 39,824	\$ 331,315
2005.....	28,233	234,883
2006.....	51,356	427,255
2007.....	61,725	513,519
2008.....	60,560	503,827
2009 and thereafter.....	208,592	1,735,374
Total.....	¥450,290	\$3,746,173

be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains to be equal to or to exceeded 25% of common stock, they are available for distribution by the resolution of shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Commercial Code.

During the year ended March 31, 2002, the Company purchased and retired 60,552 thousand shares of common stock. As a result, the authorized share capital of the Company was reduced to 3,840,849 thousand shares.

7 CONTINGENT LIABILITIES

At March 31, 2002 and 2003, the Companies were contingently liable as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
As guarantor of indebtedness of:			
Subsidiaries and affiliates	¥ 2,825	¥ 2,631	\$ 21,889
Employees	301	211	1,755
Others	4,367	—	—
Debt assumption agreements	125,302	121,454	1,010,433
	¥132,795	¥124,296	\$1,034,077

8 FINANCE LEASES

Information for non-capitalized finance leases at March 31, 2002 and 2003 is as follows:

As lessee (non-capitalized)

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
Original lease obligations (including finance charges)	¥5,726	¥5,142	\$42,779
Payments remaining:			
Payments due within one year	¥1,074	¥ 740	\$ 6,156
Payments due over one year	1,497	1,413	11,756
Total	¥2,571	¥2,153	\$17,912

Lease payments for such leases for the years ended March 31, 2002 and 2003 were ¥1,374 million and ¥1,093 million (\$9,093 thousand), respectively.

9 DERIVATIVE TRANSACTIONS

The Companies use forward foreign currency contracts, currency swaps and interest rate swaps, and material price swap contracts, and options and weather derivatives as derivative financial instruments only for the purpose of mitigating future risks of fluctuations of foreign currency exchange rates with respect to foreign currency payables from the purchase of materials and foreign currency bonds and loans payable, interest rate increases with respect to borrowings and bonds within the amounts of such borrowings or foreign currency payables, fluctuations of material prices, and fluctuations in gas sales.

These derivatives are subject to risks of foreign exchange rate changes, interest rate changes, and material price fluctuations, respectively.

The Companies' derivative transactions are executed and managed by the

As lessor

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
Original cost	¥10,358	¥12,229	\$101,739
Less accumulated depreciation	6,142	6,829	56,814
Total	¥ 4,216	¥ 5,400	\$ 44,925
Receipts remaining			
Receipts due within one year	¥ 2,195	¥ 2,508	\$ 20,865
Receipts due over one year	3,968	4,904	40,799
Total	¥ 6,163	¥ 7,412	\$ 61,664

Lease receipts under such leases for the years ended March 31, 2002 and 2003 were ¥2,730 million and ¥2,957 million (\$24,601 thousand), respectively.

Companies' Finance Departments in accordance with the established policies and within the specified limit on the amounts of derivative transactions allowed.

The following summarizes hedging derivative financial instruments used by the Companies and items hedged:

Hedging instruments:	Hedged items:
Interest rate swap contracts	Interest on bonds and loans
Currency swap contracts	Foreign currency bonds and loans payable
Forward foreign exchange contracts and currency options	Foreign currency future purchase transaction
Material price swap contracts and options	Purchase cost of materials

The Companies evaluate hedge effectiveness by recognizing the association of hedging instruments and hedged items.

The following table summarizes market value information as of March 31, 2002 and 2003 of derivative transactions for which hedge accounting has not been applied:

		Millions of Yen			
Type	Notional Amount	Over One Year	Market Value	Recognized Gains or Losses	
For 2002:					
Items not traded	Interest rate swaps:				
on exchanges	Pay variable, receive fixed.....	¥2,107	¥2,107	¥ 95	¥ 95
	Pay fixed, receive variable.....	2,669	2,419	(79)	(79)
	Total	¥4,776	¥4,526	¥ 16	¥ 16
For 2003:					
Items not traded	Interest rate swaps:				
on exchanges	Pay variable, receive fixed.....	¥2,962	¥2,962	¥ 129	¥ 129
	Pay fixed, receive variable.....	2,798	2,548	(77)	(77)
	Total	¥5,760	¥5,510	¥ 52	¥ 52

		Thousands of U.S. Dollars			
Type	Notional Amount	Over One Year	Market Value	Recognized Gains or Losses	
For 2003:					
Items not traded	Interest rate swaps:				
on exchanges	Pay variable, receive fixed.....	\$24,642	\$24,642	\$1,073	\$1,073
	Pay fixed, receive variable.....	23,278	21,198	(640)	(640)
	Total	\$47,920	\$45,840	\$ 433	\$ 433

○ EMPLOYEES' SEVERANCE AND PENSION BENEFITS

The Companies have adopted the accounting standard for employees' severance and retirement benefits, under which the liabilities and expenses for severance and retirement benefits are determined based on amounts obtained by actuarial calculations.

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2002 and 2003 consist of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
Projected benefit obligation	¥ 275,917	¥ 276,175	\$ 2,297,629
Prepaid pension expenses	151	180	1,498
Less unrecognized actuarial differences ...	(23,194)	(45,349)	(377,280)
Less fair value of pension assets	(154,325)	(160,421)	(1,334,617)
Liability for severance and retirement benefits	¥ 98,549	¥ 70,585	\$ 587,230

Included in the consolidated statement of income for the year ended March 31, 2002 and 2003 are severance and retirement benefit expenses comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
Service costs — benefits earned during the year ...	¥ 10,911	¥ 10,733	\$ 89,293
Interest cost on projected benefit obligation ...	7,233	7,304	60,765
Expected return on plan assets	(4,129)	(4,126)	(34,326)
Actuarial gains and losses	1,770	2,471	20,558
Prior service costs.....	615	(1,831)	(15,233)
Severance and retirement benefit expenses.....	¥ 16,400	¥ 14,551	\$ 121,057

The discount rate and the rate of expected return on plan assets used by the Company are 2.7% and 2.7% in the year ended March 31, 2002 and 1.8% and 2.7% in the year ended March 31, 2003, respectively. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years. Past service costs are recognized as incurred and actuarial gains/losses are recognized as an expense in equal amounts over 10 years.

- LOSS ON CANCELLATION OF CONSTRUCTION PLAN

The loss on cancellation of construction plan resulted from cancellation of plans to construct the Tsuruga LNG Terminal.

= RETIREMENT LUMP-SUM GRANTS TO EARLY RETIRED EMPLOYEES

We carried out the early retirement plan to employees.

The expense was for the additional lump-sum grants to early retired employees.

Q INCOME TAXES

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 36.2%, in case of the Company (40.5% for certain consolidated subsidiaries) for the years ended March 31, 2002 and 2003.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rates for financial statement purposes for the years ended March 31, 2002 and 2003:

	2002	2003
Statutory tax rate	36.2%	36.2%
Statutory tax rate difference between the Company and certain subsidiaries	0.9	1.4
Non-deductible expenses	0.4	1.6
Per capita inhabitants' tax	0.3	0.4
Other	1.6	1.0
Effective tax rate	39.4%	40.6%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2002 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
Deferred tax assets:			
Retirement benefits	¥ 23,172	¥ 16,915	\$ 140,724
Excess depreciation	7,847	6,846	56,955
Unrealized gains	3,155	2,472	20,566
Enterprise taxes	2,923	2,856	23,760
Other	23,515	30,287	251,972
Total deferred tax assets	60,612	59,376	493,977
Valuation allowance	(823)	(18)	(150)
Net deferred tax assets	59,789	59,358	493,827

W SEGMENT INFORMATION

The Company's primary business activities include (1) Gas (2) House-Pipe Installation Sales (3) Gas Appliance Sales (4) LPG and Industrial Gas (5) Real Estate Leasing and (6) Other Businesses. The Foods and Restaurants segment became less significant as consolidated subsidiaries decreased and this segment is included in the Other Businesses segment from the year ended March 31, 2003. Revenues, operating income, identifiable assets, depreciation and capital expenditure of the Foods and Restaurants segment for the year ended March 31, 2003 were ¥18,503 million (\$153,935 thousand), ¥1,655 million (\$13,769 thousand), ¥13,683 million (\$113,835 thousand),

Deferred tax liabilities:

Special reserve for tax purposes	(5,134)	(4,855)	(40,391)
Deferred gains on real properties	(158)	(356)	(2,962)
Net unrealized gains on securities	(13,682)	(6,165)	(51,290)
Other	(1,242)	(1,422)	(11,830)

Total deferred tax liabilities

Net deferred tax assets

Net deferred tax assets are reflected in the consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2003	2003
Current assets	¥ 11,778	¥ 11,555	\$ 96,132
Investments and other assets	35,484	38,670	321,714
Other current liabilities	(89)	(9)	(75)
Other non-current liabilities	(7,600)	(3,656)	(30,416)

The aggregate statutory income tax rate used for calculation of deferred income tax assets and liabilities was 42.0% for the year ended March 31, 2002. Effective for years commencing on April 1, 2004 or later, according to the revised local tax law, income tax rates for enterprise taxes will be reduced as a result of introducing the assessment by estimation on the basis of the size of business. Based on the change of income tax rates, for calculation of deferred income tax assets and liabilities, certain consolidated domestic subsidiaries used the aggregate statutory income tax rates of 42.0% and 40.5% for current items and non-current items, respectively, at March 31, 2003.

As a result of the change in the aggregate statutory income tax rates, deferred income tax assets increased by ¥16 million (\$133 thousand) and provision for deferred income taxes increased by ¥130 million (\$1,081 thousand) and net unrealized gains on securities increased by ¥146 million (\$1,215 thousand) compared with what would have been recorded under the previous local tax law.

¥644 million (\$5,358 thousand) and ¥365 million (\$3,037 thousand), respectively.

In prior years the gas segment included sales of by-products (Cryogenic energy). In 2003 the Company changed its accounting to include such sales of ¥240 million (\$1,997 thousand) in non-operating income. The prior year's segment information has not been restated to conform to 2003 accounting standard.

A summary of segment information is as follows:

Millions of Yen									
For 2002:	Gas	House-Pipe Installation	Gas Appliance Sales	LPG and Industrial Gas	Real Estate Leasing	Foods and Restaurant	Other Businesses	Elimination and Corporate	Consolidated
Operating revenues:									
Outside customers.....	¥591,877	¥39,354	¥113,024	¥67,036	¥ 7,068	¥34,511	¥120,695	¥ —	¥ 973,565
Inside group	2,702	—	86	3,476	12,872	237	1,682	(21,055)	—
	594,579	39,354	113,110	70,512	19,940	34,748	122,377	(21,055)	973,565
Cost and expenses.....	455,263	36,781	112,298	69,307	15,505	32,907	107,146	47,681	876,888
Operating income	¥139,316	¥ 2,573	¥ 812	¥ 1,205	¥ 4,435	¥ 1,841	¥ 15,231	¥ (68,736)	¥ 96,677
Identifiable assets	¥677,663	¥10,430	¥ 42,481	¥45,932	¥108,666	¥23,341	¥189,722	¥145,285	¥1,243,521
Depreciation	63,260	52	629	2,768	5,524	1,016	12,318	3,226	88,793
Capital expenditure	50,500	37	471	1,814	12,048	1,368	10,982	12,719	89,939

Millions of Yen									
For 2003:	Gas	House-Pipe Installation	Gas Appliance Sales	LPG and Industrial Gas	Real Estate Leasing	Other Businesses	Elimination and Corporate	Consolidated	
Operating revenues:									
Outside customers.....	¥566,998	¥35,415	¥111,077	¥77,290	¥ 7,330	¥149,868	¥ —	¥ 947,978	
Inside group	4,030	—	100	2,598	11,374	3,731	(21,833)	—	
	571,028	35,415	111,177	79,888	18,704	153,599	(21,833)	947,978	
Cost and expenses.....	444,538	34,113	110,237	77,951	13,057	133,339	48,769	862,004	
Operating income	¥126,490	¥ 1,302	¥ 940	¥ 1,937	¥ 5,647	¥ 20,260	¥ (70,602)	¥ 85,974	
Identifiable assets	¥660,767	¥ 9,767	¥ 45,162	¥45,551	¥81,975	¥233,657	¥ 132,749	¥1,209,628	
Depreciation	58,246	68	192	2,685	4,379	14,290	2,945	82,805	
Capital expenditure	42,146	76	77	1,075	6,776	14,205	2,752	67,107	

Thousands of U.S. Dollars									
For 2003:	Gas	House-Pipe Installation	Gas Appliance Sales	LPG and Industrial Gas	Real Estate Leasing	Other Businesses	Elimination and Corporate	Consolidated	
Operating revenues:									
Outside customers.....	\$4,717,121	\$294,634	\$924,101	\$643,012	\$ 60,982	\$1,246,822	\$ —	\$ 7,886,672	
Inside group	33,528	—	832	21,614	94,625	31,040	(181,639)	—	
	4,750,649	294,634	924,933	664,626	155,607	1,277,862	(181,639)	7,886,672	
Cost and expenses.....	3,698,319	283,802	917,113	648,511	108,627	1,109,310	405,732	7,171,414	
Operating income	\$1,052,330	\$ 10,832	\$ 7,820	\$ 16,115	\$ 46,980	\$ 168,552	\$ (587,371)	\$ 715,258	
Identifiable assets	\$5,497,230	\$ 81,256	\$375,724	\$378,960	\$681,988	\$1,943,902	\$ 1,104,401	\$10,063,461	
Depreciation	484,575	566	1,597	22,338	36,431	118,885	24,501	688,893	
Capital expenditure	350,632	632	641	8,944	56,373	118,178	22,895	558,295	

Corporate operating costs are mainly comprised of expenses of administration departments. Corporate assets include cash and time deposits, securities and assets of administration departments.

Geographic segment information is not disclosed due to geographic

segment information being not material compared to consolidated net sales and assets. Information for overseas sales is not disclosed due to overseas sales being not material compared to consolidated net sales.

e SUBSEQUENT EVENT

At the ordinary shareholders' meeting of the Company held on June 27, 2003, year end dividends of ¥3.0 per share for a total of ¥6,891 million (\$57,329 thousand) were approved.