

Gas



LPG, Electricity and Other Energies



Gas Appliances and House-Pipe Installation



# Osaka Gas Co., Ltd. Annual Report 2004

For the year ended March 31, 2004

Real Estate



Other Businesses

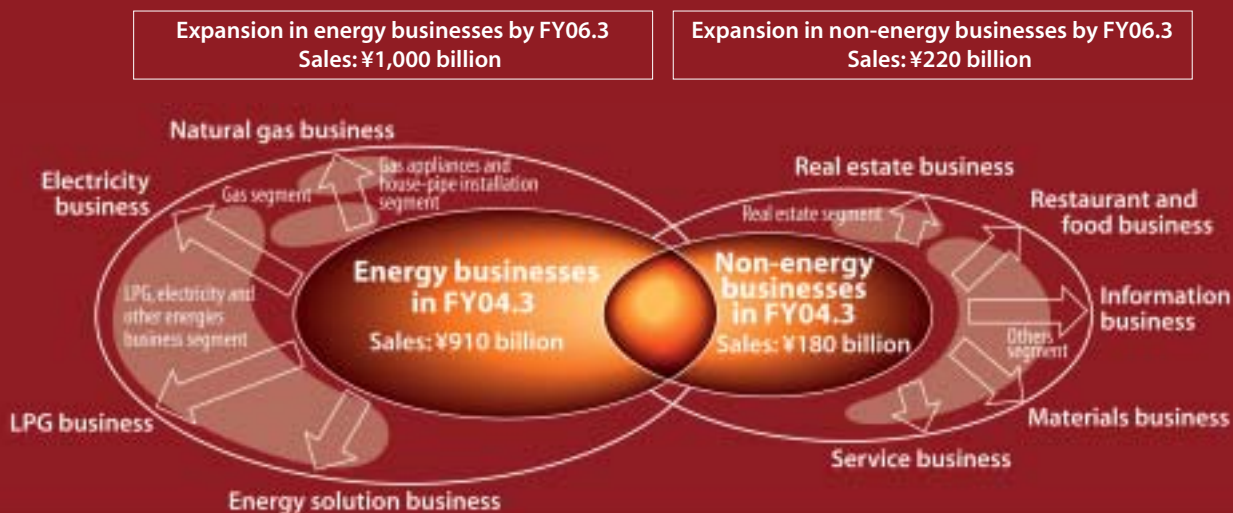


## VISION 2010 and Value Creation Management

**The Osaka Gas Group** formulated VISION 2010 in October 1999 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 VISION 2010, the medium-term business plan GATE PLAN (fiscal 2001-fiscal 2003) set the Osaka Gas Group on the path to success. The next three-year business plan, INNOVATION CENTENNIAL (fiscal 2004-fiscal 2006) was established as the second phase of VISION 2010. As a first step, we were able to make significant progress in fiscal 2004 toward achieving the final targets of INNOVATION CENTENNIAL in fiscal 2006.

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 Kansai area gas operations to a multi-faceted energy services Group beyond its conventional service territory. Also, in the non-energy businesses 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.



**Forward-Looking Statements** Statements contained in this report with respect to the Osaka Gas Group's plans, strategies and beliefs that are not historical facts are forward-looking statements about the future performance of the Osaka Gas Group which are based on management's assumptions and beliefs in light of the information currently available to it. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Osaka Gas Group's actual results, performance or achievements to differ materially from the expectations expressed herein.

2	<b>Business Foundation of Osaka Gas</b>	With its gas sales volume of 7.76 billion cubic meters, Osaka Gas accounts for more than 30% of total sales volume in Japan. Osaka Gas supplies gas to 6.6 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 3,220 square kilometers.				
3	<b>Consolidated Financial Highlights</b>					
4	<b>At a Glance</b>					
6		<b>Message from the Management</b> In fiscal 2004, the first year of the medium-term management plan INNOVATION CENTENNIAL, we made an excellent start toward achieving final-year targets by recording profits higher than initial expectations. The Osaka Gas Group aims to remain the preferred choice of customers by providing one-stop energy services and maintaining high competitiveness in terms of costs, efficiency, environmental preservation, safety and services.				
12	<b>Corporate Governance and Compliance</b>					
13	<b>Directors and Auditors</b>					
14	<b>Energy Business Environment</b>	15 <b>Characteristics of the Japanese Gas Industry</b> 15 <b>Special Qualities of Natural Gas</b>				
16		<b>Gas Marketing</b> We will maintain our competitive edge against other types of energy by providing optimal energy solutions from the customer's viewpoint.				
18		<b>Non-Regulated Energy Business</b> Our energy consulting capabilities, backed by technological know-how, are one of the greatest strengths of Osaka Gas to stimulate customer demand and provide an optimal combination of products and systems developed to solve a specific problem.				
20		<b>Natural Gas Upstream Operations</b> We are actively promoting natural gas upstream operations along the new concepts in the LNG trading and transportation business and the natural resource development business.				
21	<b>Extending Natural Gas Infrastructure and Strengthening Ties with Local Natural Gas Providers</b>	Osaka gas is extending natural gas infrastructure to meet future growth in demand in its service area while strengthening ties with local natural gas providers in Western Japan.				
22		<b>Summary of Business Segments (Excluding the Gas Segment)</b> Each independent business segment adds to the overall capabilities of the Osaka Gas Group through synergies and mutually beneficial relationships. <table border="0" style="width: 100%; margin-top: 5px;"> <tr> <td style="width: 50%;">22 LPG, Electricity and Other Energies</td> <td style="width: 50%;">22 Real Estate</td> </tr> <tr> <td>22 Gas Appliances and House-Pipe Installation</td> <td>23 Others</td> </tr> </table>	22 LPG, Electricity and Other Energies	22 Real Estate	22 Gas Appliances and House-Pipe Installation	23 Others
22 LPG, Electricity and Other Energies	22 Real Estate					
22 Gas Appliances and House-Pipe Installation	23 Others					
25	<b>Osaka Gas Group Technology Management</b>	The Osaka Gas Group positions the strengthening of technological competitiveness as the most effective means for distinction, and aims to strategically invest resources in technological development. Here, we explain our approach to technology management, including main technological themes and intellectual property activities. <table border="0" style="margin-top: 5px;"> <tr> <td>25 Pursuing Advances in Technology Management</td> </tr> <tr> <td>26 Major Technological Development Themes</td> </tr> <tr> <td>29 Intellectual Property Activities of the Osaka Gas Group</td> </tr> </table>	25 Pursuing Advances in Technology Management	26 Major Technological Development Themes	29 Intellectual Property Activities of the Osaka Gas Group	
25 Pursuing Advances in Technology Management						
26 Major Technological Development Themes						
29 Intellectual Property Activities of the Osaka Gas Group						
31	<b>Efforts to Maximize our Corporate Value for Society</b>	(Corporate Code of Conduct, Social Contributions and Environmental Actions) From information disclosure and compliance to environmental activities and social contributions, the Osaka Gas Group is concentrating efforts on maximizing its social value in every aspect of its operations.				
	33 <b>Financial Section</b>	55 <b>List of Major Consolidated Subsidiaries</b>				
	34 <b>Management's Discussion and Analysis</b>	57 <b>Directory, Investor Information, Unit Conversion List</b>				
	54 <b>Organization</b>					