

Business Report for the 183rd Financial Year  
(Year from 1 April, 2000 through 31 March, 2001)

Osaka Gas Co., Ltd.

## Operating Report for the Year ended 31 March, 2001

### I. Overview

#### 1. Business Operations and Results

##### (1) Operating Activities

There is an increasing concern that the Japanese economy may again experience a downturn due to the recently observed obscurity in the activities of the export, industrial production and investment in capital expenditure, which have supported previous self-sustained recovery, caused, among others, by the slowdown of the US economy towards the end of the financial year.

The exchange rate on the other hand, has changed on the weak yen trend towards the end of the financial year, and the price of crude oil has been at a high level in general.

Against this economic background, the Company has aggressively conducted its business based on “Value Creation” as its core objective for management.

Sections (a) ~ (c) below give an outline of the Company’s business in the financial year ended 31 March, 2001.

##### a) Gas and By-Products

The number of customers (number of meters installed) increased by 96 thousand to 6.401 million as of the end of this term. Sales of gas increased by 3.5 % over the preceding term to 7.407 billion cubic metres.

Despite generally low personal consumption, the total sale of gas for residential purposes increased by 1.4 % to 2.244 billion cubic metres compared to the preceding financial year, due to Company business efforts and the lower temperature during the winter season this financial year.

The total sale of gas for industrial, commercial and public services/medical use, increased by 3.7 %, 3.4 % and 9.8 % respectively compared to the preceding financial year, due to the development of increased demand and an increased use of air conditioning consumption during the high temperature summer season, etc. The total sale of gas to non-residential use rose by 4.2 % compared to the preceding financial year to a total of 5.04 billion cubic metres, out of which sale of gas in large supplies was 3.394 billion cubic metres.

Wholesale supply of gas increased by 14.0 % to 124 million cubic metres compared to the preceding financial year.

As a result of the above, revenues from gas sales increased by 10.6 % to ¥581.756 billion compared to the preceding financial year. Sales of by-products amounted to ¥267 million.

[<Please see chart 1.>](#)

##### b) Gas Appliances, Housepipe Installations

The Company aggressively promoted gas appliances such as floor heating, bathroom heater/drier, residential air-conditioning for residential use and cogeneration and gas heat pump-type air conditioning systems which are environmentally friendly and energy efficient for non-residential use.

As a result of these efforts, total revenues from the sale of gas appliances rose by 6.0 % to ¥101.356 billion compared to the preceding financial year.

Total revenues from housepipe installations fell by 0.9 % to ¥37.589 billion due to a 5.5 % decrease in the number of

new construction works compared to the preceding financial year.

As a result of the above, miscellaneous business revenues, consisting mainly of revenues from gas appliances and housepipe installations, increased by 4.0 % to ¥139.14 billion compared to the preceding financial year.

### c) Incidental Business

Incidental business such as regional heating and cooling systems (Heat supply), decreased by 6.0 % to ¥32.963 billion compared to the preceding financial year.

Total sale for each segment of the business during this financial year were as follows:

[Sales for each Segment] [<Please see chart2.>](#)

Segment	Sales (Yen in millions)	Change over Last Year (%)	Share (%)
Gas and By-Products	582,023	+10.6	77.2
Gas Appliances, Housepipe Installations, etc. (miscellaneous business)	139,140	+4.0	18.4
Incidental Business	32,963	-6.0	4.4
Total	754,127	+8.5	100.0

As a result, total revenues (sales of gas + sales of by-products + miscellaneous business revenues+ revenues from incidental business) increased by 8.5 % to ¥754.127 billion compared to the preceding financial year.

[<Please see chart3.>](#)

Despite the Company's efforts to increase efficiency in its general management, overall costs increased due to an increase of raw materials costs with the rise in prices of LNG brought about by high crude oil prices, etc.

Consequently, the Company's recurring profit increased by 36.6 % to ¥53.929 billion, and its net income increased by 34.5 % to ¥32.992 billion compared to the preceding financial year.

[<Please see chart4.>](#)

### (2) Capital Investment Activities

The amount of capital investment made during the year ended 31 March, 2001 came to ¥68.528 billion. The main item of expenditure on production facilities during this term was the completion of the No. 18 LNG storage tank at the Senboku Terminal. The increase in distribution facilities consisted of an additional 647 kilometres of trunk and branch lines brought the total length of the Company's trunk and branch lines to 43,835 kilometres in the financial year ended 31 March, 2001. The work on Kinki Trunkline-Bay Line has been completed, and the work on Kinki Trunkline-Keiji Line was still in progress.

[<Please see chart5.>](#)

### (3) Financing Activities

The Company took out long-term loans of ¥43.011 billion and repaid ¥3.621 billion. In July 2000, the Company issued ¥20 billion straight bonds and in February 2001, the Company issued straight bonds of ¥10 billion, amounting to a total issue of ¥30 billion new bonds for the financial year and the redemption value of bonds in the financial year ended 31 March, 2001 is ¥13 billion.

#### (4) Outstanding Issues for the Company

The changes in general economic environment due to developments such as globalization, deregulation and information technology which began in the second half of the 1990s has also affected the energy industry, and the competitions within the energy industry are expected to become increasingly intense.

The Company takes such a trend of increased competition in its stride and intends to aggressively increase efficiency at all management levels, as well as increase efforts in research and development in order to become a company recognized and chosen by customers for its competitiveness, whether in terms of products price or services, as well as for developing natural gas as an energy source to its greatest potential.

In terms of the market for households, the Company began to offer the new “Residential Gas Hot Water under Floor Heating Contract (Hot-Rate)” in January, 2001 and extended the period during which customers enjoy a discounted price under “Residential Air Conditioning Contract”. The Company will hereafter aggressively apply the plans in a creative manner, and in conjunction with increasing the demand for gas, will seek to popularize products such as floor heating, bathroom heater/drier and residential air-conditioning which provide lifestyle conveniences based on gas consumption. On the other hand, there are further plans to cut costs and increase sales of bath heaters, kitchen equipment and other common residential products through closer cooperation in every respect from product development and maintenance, between the gas appliances markers.

In terms of the market for non-residential use, the Company is promoting a more efficient energy use plan that combines heat and electrical energy. In particular, by fully utilizing engineering and maintenance knowhow the Company has developed over the years, the Company seeks to provide high quality services which is differentiated from products provided by other companies. In addition, the Company seeks to enrich the variety of its rate plans for customers that could both increase customer convenience and at the same time, efficiently utilize Company capacities, thus attempting the creation of new markets and increase in demand.

In order to strengthen its management base, the Company seeks to increase its efforts in the assurance of safety and stability of supplies and improve customer services and environmental protection, all of which are fundamentals of the Company’s businesses.

A major premise of the business of the Company is the assurance of the safety and stability of supplies. With regard to the safety of manufacture and supply facilities, the Company adopts measures, such as maintaining facilities in accurate control through sufficient facilities inspections, conducting systematic preparations, as well as conducting patrols, to achieve a high level of safety. With regard to the safety of customer facilities, the Company will provide information on the need and appropriateness for customers to adequately implement repairs. More over, with respect to stability of supplies, the Company will maintain a steady supply of natural gases through various sources, as well as to continue to fine tune and expand the supply network.

With regard to the improvement of services, the Company has integrated telephone services at “General Regional Customer Service Centre”, as well as introduced new systems, and set up a new telephone services structure. The Company will continue to take speedy and accurate measures to respond to customer needs in the future.

With regard to environmental issues, the Company intends to increase the general use of “environmental friendly” natural gas, decrease environmental damages as a result of the Company’s business activities, contribute to the reduction of environmental damages by prompting use of the Company’s “environmental friendly” gas appliances and to increase its active involvement in environmental protection activities conducted within the region, both at home and abroad.

The key to the development and growth of the Company’s business is technology. The Company will promote its technological innovation, reinforce the cooperation with other companies while improving the rate of technological development and cost reductions through increasing the selectiveness of and focus on the development areas. In particular, with respect to residential cogeneration, the Company intends to cooperate with various suppliers and

power generation businesses at home and abroad in order to hasten the start of merchandization.

The Company will cope with the above issues in an appropriate manner and to adopt a flexible and quick approach in its business operations while pursuing “Customer Value”, “Shareholder Value” and “Community Value” pursuant to its core management objective of “Value Creation”. The Company also intends to enhance its receptiveness to compliance and to conduct strict risk management in order to maintain the soundness of the Osaka Gas Group in 21st century.

The Company hopes all shareholders will continue to extend support and encouragement to the Company.

## 2. Operating Results and Financial Position

(Yen in millions)

Division	Year ended March 1997 (179th term)	Year ended March 1998 (180th term)	Year ended March 1999 (181st term)	Year ended March 2000 (182nd term)	Year ended March 2001 (183rd term)
Total Revenues	706,178	729,929	699,916	695,125	754,127
Recurring Profits	30,593	38,311	43,583	39,465	53,929
Net Income	13,054	19,116	17,132	24,527	32,992
Net Income Per Share (yen)	5.16	7.56	6.78	9.82	13.45
Total Assets	1,007,268	987,593	997,029	1,013,011	1,067,154
Net Assets	344,762	351,172	345,598	385,402	418,037

### Year ended March 1997 (179th term)

The total sale of gas increased by an aggregate of 5.1 % compared to the preceding financial year due to Company sales efforts and an increase in the number of customers. Despite Company efforts to increase overall management efficiency, a significant increase in the cost of raw materials due to the weakening of the yen and the rise in prices of LNG caused by the rise in price of crude oil, resulted in the recurring profit increase of 4.6%.

### Year ended March 1998 (180th term)

The total sale of gas increased by an aggregate of 3.7 % compared to the preceding financial year due to Company sales efforts and an increase in the number of customers. Despite increased costs due to payments to the pension fund, and an increase in raw materials and labour costs due to the rise in prices of LNG and a weakened yen, the recurring profit increased by 25.2%, as a result of its efforts to improve overall management efficiency.

### Year ended March 1999 (181st term)

The total sale of gas was almost equal to the total sale in the preceding financial year. A decrease in the cost of raw materials due to the decline in the prices of LNG caused by the low crude oil price as well as Company efforts to control the expenditure, resulted in the recurring profit increase of 13.8%.

### Year ended March 2000 (182nd term)

The total sale of gas increased by an aggregate of 8.4 % compared to the preceding financial year due to Company sales efforts and an increase in the number of customers. Despite Company efforts to increase overall management efficiently, an increase in the cost of raw materials due to the rise in the prices of LNG caused by the rise in price of crude oil, resulted in the recurring profit decrease of 9.4 %.

### Year ended March 2001 (183rd term)

Please refer to "1. Business Operations and Results" above.

## II. Outline of the Company (as of 31 March, 2001)

### 1. Principal Activities

- (1) Production, distribution, and sales of gas
- (2) Sales of gas appliances and related installation work
- (3) Construction orders for gas housepipe
- (4) Heat supply business (district heating and cooling)

### 2. Shares and Shareholders

#### (1) Number of Shares Issued and Number of Shareholders

Items	Contents
Number of Authorized Shares	3,901,401,000 shares
Number of Shares Issued and Outstanding	2,429,563,630 shares
Number of Shareholders (as of financial year end)	199,353

Note: As a result of share buy-back, the aggregate number of authorized shares and the number of shares issued and outstanding have, respectively, decreased by 48.197 million shares during the financial year ended 31 March, 2001.

#### (2) Principal Shareholders

Shareholders	Shareholders' Holding in Osaka Gas		Osaka Gas's Holding in Shareholder Companies	
	No. (1,000s)	Holding %	No. (1,000s)	Holding %
Nippon Life Insurance Company	124,288	5.12	0	0
The Daiwa Bank, Limited	123,093	5.07	50,816	2.48
The Sanwa Bank, Limited	121,478	5.00	30,679	1.06
The Sumitomo Bank Limited	50,849	2.09	6,963	0.22
Japan Trustee Services Bank, Ltd. (trust account)	46,645	1.92	0	0
Yasuda Mutual Life Insurance Company	40,754	1.68	0	0
The Mitsubishi Trust and Banking Corporation (trust account)	35,269	1.45	0	0
The Dowa Fire and Marine Insurance Company, Limited	34,961	1.44	1,477	0.38
Shinsei Bank, Limited	32,144	1.32	0	0
Sumitomo Life Insurance Company	30,593	1.26	0	0

Notes:

1. The Sanwa Bank Limited, as of 2 April, 2001, established a joint holding company, UFJ Holdings, Inc., through a cross transfer of shares jointly with the Sanwa Bank Limited, The Tokai Bank, Limited and The Toyo Trust and Banking Company Limited. The Company owns 32,592 shares (0.69 %) of UFJ Holdings, Inc. as of the date of the cross transfer of shares.
2. The Sumitomo Bank Limited merged The Sakura Bank, Limited and changed its name to Sumitomo Mitsui Banking Corporation as of 1 April, 2001. The Company owns 8,611 thousand shares (0.15 %) of Sumitomo Mitsui Banking Corporation as of the date of the merger.
3. The Dowa Fire and Marine Insurance Company, Limited merged Nissay General Insurance as of 1 April 2001 and changed its name to Nissay Dowa General Insurance. The Company owns 1,477 thousand shares (0.36 %) of Nissay Dowa General Insurance as of the date of the merger.

### (3) Purchase and Disposal of the Company's own shares

Pursuant to the Law concerning Special Measures regarding the Share Cancellation Procedure of the Commercial Code and the Articles of Incorporation, the Board of Directors passed a resolution on 15 February, 2000 cancelling Company shares so as to strengthen its financial structure. The Company bought back and cancelled 15.898 million of its own shares at a total cost of ¥4.633355 billion for the financial year ended 31 March, 2001.

For the same purpose of strengthening its financial structure of the Company, the Board of Directors passed a resolution on 17 November, 2000 whereby the Company purchased and cancelled 32.299 million of its own shares at a total cost of ¥9.995919 billion for the financial year ended 31 March, 2001.

As a result of the above, the Company bought back and cancelled an aggregate of 48.197 million shares at a total acquisition cost of ¥14.629274 billion for that financial year.

### 3. Subsidiaries and Affiliates

#### Outline of Principal Subsidiaries

Company	Capital (Yen in millions)	Holding (%) (including in- direct holding)	Main Activities
Liquid Gas Co., Ltd.	1,030	100	Production, sale and delivery of LNG and other types of high pressure gases; sale of cold energy of LNG and sale of LPG
Nissho Iwai Petroleum Gas Corp.	1,726	70.00	Import and sale of LPG
Gas and Power Investment Co., Ltd.	2,100	100	Power generation business at home and abroad; related survey, planning, development and investment activities
Harman Co., Ltd.	1,483	100	Production and sale of gas appliances
Urbanex Co., Ltd.	983	100	Management, operation and lease of real estate; survey and research of urban development
Kinrei Corporation	966	74.57	Production and sale of frozen foods; operation of restaurants
Osaka Gas Information System Research	400	100	Information processing services via computers, production and sale and lease of



Institute Co., Ltd.			related equipment and software
Osaka Gas Chemical Co., Ltd.	480	100	Manufacture and sale of coke, chemical products and carbon products, etc.
OG Capital Co., Ltd.	3,000	100	Management of intra-group finances, management affiliated companies operation, management, operation and lease of real estate

Notes: 1) Development of company affiliations

- a) Over-the-counter registration of shares for Kinrei Corporation  
Pursuant to the public offering, etc. and over-the-counter registration of shares on 14 September, 2000, the total capital of Kinrei Corporation increased by ¥408 million while the Company's shareholding in Kinrei Corporation decreased by 17.55 %.
- b) Acquisition of shares of Nissho Iwai Petroleum Gas Corp.  
As of 28 September, 2000, the Company acquired 70.00 % of shares of Nissho Iwai Petroleum Gas Corp. thus acquiring Nissho Iwai Petroleum Gas Corp., a former wholly owned subsidiary of Nissho Iwai Corporation, as the Company's subsidiary.
- c) Core Companies of Osaka Gas Group in "Vision 2010 of Osaka Gas Group"  
In terms of major subsidiaries, the Company has included Gas and Power Investment Co., Ltd. and OG Capital Co., Ltd. and excluded Osaka Gas Engineering Co., Ltd., Osaka Gas Housing Equipment Co., Ltd., Osaka Gas Security Services Co., Ltd., OGIC Co., Ltd., Serendi Co., Ltd. and Kinki Piping Co., Ltd.

The 9 major subsidiaries referred to in the table above are core companies in "Vision 2010 of Osaka Gas Group" (the "Core Company") in each of their relevant areas of business.

2) Results of company affiliation

There are 35 subsidiaries (including 8 of the major subsidiaries referred to in the table above except Gas and Power Investment Co., Ltd.), and the consolidated turnover for the financial year ended 31 March, 2001 increased by 12.1 % to ¥951.926 billion with a consolidated net income increase of 32.0 % to ¥36.097 billion compared to the preceding financial year.

4. Major Lenders

Lenders	Loans Outstanding on 31 March 2001 (Yen in millions)	Lenders' Holding in the Company	
		No. (1,000s)	Holding (%)
Development Bank of Japan	40,250	0	0
Nippon Life Insurance Company	28,000	124,288	5.12
The Yasuda Mutual Life Insurance Company	15,000	40,754	1.68
Daido Life Insurance Company	13,000	2,046	0.08
Sumitomo Life Insurance Company	10,300	30,593	1.26
BNP Paribas	6,090	0	0

## 5. Major Plants and Offices

Major plants and offices of Osaka Gas Co., Ltd. are as follows:

Head Office	Head Office (Osaka Prefecture)
District Business Headquarters	Osaka Business Headquarters (Osaka Prefecture) Southern Business Headquarters (Osaka Prefecture) (including Wakayama District Office [Wakayama Prefecture]) North Eastern Business Headquarters (Osaka Prefecture) Hyogo Business Headquarters (Hyogo Prefecture) (including Toyo-oka District Office [Hyogo Prefecture]) Keiji Business Headquarters (Kyoto Prefecture) (including Shiga East District Office [Shiga Prefecture])
Terminals	Senboku Terminal (Osaka Prefecture) Himeji Terminal (Hyogo Prefecture)
Research Centres, etc.	Research and Development Department, Utilization and Technology Department (Osaka Prefecture)

Note: As of 1 April, 2000, Shiga District Office (Shiga Prefecture) was integrated into Keiji Business Headquarters.

## 6. Employees

Number of Employees	Average Age (years)	Average Length of Service (years)
9,264	42.2	17.9

Note: The above figure of employees includes staff on fixed term contracts, and does not include staff on secondment.

## 7. Directors and Auditors

<u>Name</u>		
Shin-ichiro Ryoki	Chairman	
Akio Nomura	President	
Masaji Yamamoto	Executive Vice- President	
Takemi Arimoto	Executive Vice-President	Responsible for Tsuruga Representative and Tsuruga LNG Terminal Project Dept.
Shozo Endo	Executive Vice-President	
Hirofumi Shibano	Senior Managing Director	Responsible for Tokyo Representative, Corporate Planning Dept., Tokyo Office, and Environment Dept.
Hironori Yamada	Senior Managing Director	Responsible for Head Office Resident Representative, Secretariat Dept., Corporate Communication Dept., General Affairs Dept., Purchasing Dept., and Research Institute for Culture, Energy and Life
Masaaki Hasegawa	Managing Director	Responsible for Auditing Dept., Personnel Dept., and Information and Communications System Dept.
Yuji Matsumura	Managing Director	Head of Technology and R&D ; Responsible for Technology Dept., R&D Dept. and Residential Cogeneration Development Dept.
Mitsuo Endo	Managing Director	Head of Customer Services; Responsible for Customer Relations Dept. and Sales & Technical Skills Development Centre
Yoshikazu Koyama	Managing Director	Head of Safety; Responsible for Central Safety & Distribution Control Dept., Gas Resources Dept., Production Dept. and Transmission Dept.
Nobuhiko Hattori	Managing Director	Responsible for Energy Business Development Dept., Business Development Dept. and Accounting & Finance Dept.
Hidetoshi Nakatani	Managing Director	Responsible for Head Office Resident Representative,

		Regional Development Planning Dept., Distribution & Marketing Planning Dept., Pipeline & Facilities Engineering Dept., Large Customer Sales Dept., Utilization and Technology Dept. and Corporate Sales Dept.
Masaru Oh-e	Director	General Manager, Distribution & Marketing Planning Dept.
Makoto Ogasahara	Director	Tsuruga Representative and General Manager, Tsuruga LNG Terminal Project Dept.
Teruo Adachi	Director	General Manager, Engineering Dept.
Motoi Yoshida	Director	General Manager, Customer Relations Dept.
Akio Nakashiba	Director	General Manager, R&D Dept.
Tamotsu Okajima	Director	General Manager, Nanbu Business HQ
Masakazu Kato	Director	General Manager, Production Dept.
Kunishige Asai	Director	General Manager, Keiji Business HQ
Yukihiro Endo	Director	Director of Japan Gas Association
Ikuo Okada	Director	General Manager, Utilization and Technology Dept.
Seishiro Yoshioka	Director	General Manager, Personnel Dept.
Susumu Mita	Director	General Manager, Hyogo Business HQ
Toshio Tsuchiyama	Auditor (full-time)	
Koichiro Yasuba	Auditor (full-time)	
Kojiro Ambashi	Auditor (full-time)	
Tadao Harada	Auditor	Lawyer
Kojiro Niino	Auditor	President of Kobe City Issues Research Institute

Notes:

- 1) The Chairman, President, Vice-Presidents, and Senior Managing Directors are each Representative Director.
- 2) The following persons were newly elected Directors upon the resolution at the Annual Meeting of Shareholders held on 29 June, 2000:

Masakazu Kato	Director
Kunishige Asai	Director
Yukihiro Endo	Director
Ikuo Okada	Director
Seishiro Yoshioka	Director
Susumu Mita	Director

- 3) The following persons were newly elected Executive Directors upon the resolution at the Meeting of

the Board of Directors held on 29 June, 2000 (previous position in brackets):

Hironori Yamada	Senior Managing Director	(Managing Director)
Nobuhiko Hattori	Managing Director	(Director)
Hidetoshi Nakatani	Managing Director	(Director)

- 4) Auditors, Toshio Tsuchiyama and Kojiro Ambashi have been elected by Auditors full-time Statutory Auditors after the Annual Meeting of Shareholders held on 29 June, 2000.
- 5) Auditors, Tadao Harada and Kojiro Niino both satisfy the qualifying conditions specified in Article 18, Section 1 of the Commercial Code concerning the Special Measures applicable to Auditing Practices in Joint Stock Companies (qualifying conditions for external auditors).
- 6) The following Directors and Auditors retired at the end of the Annual Meeting of Shareholders held on 29 June, 2000:

Suzuo Dan	Senior Managing Director
Motozo Yoshikawa	Senior Managing Director
Toshio Tsuchiyama	Managing Director
Yoshio Nishimura	Managing Director
Yasuo Akasaka	Director
Kojiro Ambashi	Director
Syuichi Nakamura	Director
Hidetoshi Morimoto	Director
Choji Miyano	Auditor
Kenji Oh-isi	Auditor

## Balance Sheets

(As of 31 March, 2001)

(Yen in millions)

<b>Assets</b>		<b>Liabilities</b>	
Fixed Assets	918,495	Fixed Liabilities	487,174
Tangible fixed assets	676,780	Corporate bonds	250,808
Production facilities	135,887	Long-term loans	136,538
Distribution facilities	383,306	Reserves for retirement allowance	95,677
Operating facilities	90,353	Reserves for repairs of gasholders	1,957
Incidental business facilities	9,342	Other fixed liabilities	2,193
Idle facilities	1,532	Current Liabilities	161,942
Construction in progress	56,357	Fixed liabilities due within one year	14,008
Intangible Fixed Assets	7,114	Trade accounts payable	12,696
Patents	8	Accrued debts	27,406
Leaseholds	2,591	Accrued expenses	53,356
Other intangible fixed assets	4,515	Accrued income tax, etc.	20,905
Investments, etc.	234,600	Advance payment	12,830
Investments securities	97,506	Deposits received	764
Investment in affiliated companies	80,705	Short-term debts to affiliated companies	16,847
Intra-company long-term loans receivable	245	Other current liabilities	3,125
Long-term loans receivable of affiliated companies	26,591	Total Liabilities	649,116
Financing receivables	111		
Long-term prepaid expenses	7,722		
Deferred tax assets	14,303	<b>Shareholders' Equity</b>	
Other investments	8,093	Common Stock	132,166
Provision for doubtful debts	(680)	Legal Reserve	52,524
Current Assets	148,653	Capital reserve	19,482
Cash & bank deposits	17,617	Retained earnings reserve	33,041
Notes and bills receivable	1,219	Surplus	206,660
Trade accounts receivable	66,123	Reserves for deferred gain from replacement of designated properties, etc.	224
Trade accounts receivable of affiliated companies	5,335	Reserves for depreciation of designated gas pipeline construction	2,811
Accrued payments	14,025	Reserves for losses incurred in overseas investments, etc.	70
Marketable securities	103	Reserves for adjustment of cost changes	89,000
Products manufactured	97	Special reserves	62,000
Raw materials	15,138	Unappropriated earnings	52,553
Inventory	10,398	(Income	32,992)
Affiliated companies short-term credits	2,099	Variance of the valuation	26,686
Deferred tax assets	9,252	Variance of the valuation for other	26,686

		marketable securities	
Other current assets	7,847	Total Shareholders' Equity	418,037
Provision for doubtful debts	(605)		
Deferred Assets	5		
Discount on issued bonds	5		
Total Assets	1,067,154	Total Liabilities & Shareholders' Equity	1,067,154

(Notes)

1. Significant accounting policies:

(1) Tangible fixed assets is depreciated using the Declining-Balance Method. However, the Straight-Line Method has been used for buildings (excluding structures attached to buildings) acquired after 1 April, 1998.

(2) Valuation of marketable securities is carried out as follows;

Shares of subsidiaries and associated companies:

The Cost Method based on the Moving-Average System

Other marketable securities:

With current market value:

Mark to Market Value Method  
(All variance of the valuation is subject to the Direct Capitalization Method and cost of sale is calculated based on the Moving-Average System.)

Without current market value:

The Cost Method based on the Moving-Average System

(3) Products manufactured are valued using the Cost Method based on the Weighted-Average Method and both raw materials and inventories are estimated using the Cost Method based on the Moving-Average System.

(4) Record of significant reserves is as follows:

Reserves for retirement allowance:

For the purposes of employee retirement allowance, the record is based on the estimate of the retirement allowance obligation and pension assets at the end of the financial year.

Variance due to change of accounting standards (¥614 million) is taken into account in the overall expense for the financial year.

Reserves for repair of gasholders:

To provide for the necessary expenditure for periodical repair of spherical gasholders for a given period is estimated based on the expenditure to a previous period, and this estimate is proportionally allotted for the period up to the next scheduled repair.

(5) Consumption taxes, etc. are omitted in the accounting procedure.



2. An accounting standard for retirement allowance has been adopted as of this financial year. Accordingly, in contrast to using previous standards, the expenses for retirement allowance decreased by ¥1,325 million while recurring profit and income before tax increased by ¥1,940 million and ¥1,325million, respectively.
3. An accounting standard for financial products has been adopted as of this financial year and valuation method, etc. of marketable securities has been changed. Accordingly, in contrast to using previous methods, recurring profit and income before tax increased by ¥1,241million, respectively.  
Investments securities and marketable securities each increased by ¥41,828million, and after deducting deferred tax liabilities of ¥15,141 million, ¥26,686 million is recorded on shareholders' equity as "variance of the valuation for other marketable securities".
4. Total depreciation of tangible fixed assets: ¥1,401,447 million
5. Collateralized assets are as follows;  
Operating facilities: ¥225 million
6. Shares held in subsidiaries that are included under "investment in affiliated companies": ¥38,850 million
7. Monetary credit and debt toward subsidiaries that are included in monetary credit and debt towards affiliated companies are as follows;  
Long-term credit: ¥56,567 million  
Short-term credit: ¥7,007 million  
Short-term debt: ¥16,753 million
8. Significant foreign currency assets and liabilities:  
Investment in affiliated companies: ¥10,008 million (Australian \$162,131 thousand and English £450 thousand)  
Trade Accounts Payable: ¥2,526 million (US\$ 20,388 thousand)
9. Other current assets include the Company's own share at ¥23 million.
10. Reserves for repair of gasholders are a reserve provided for in Article 287-2 of the Commercial Code.
11. Contingent liabilities for guarantees: ¥28,036 million (amount guaranteed by the Company: ¥22,791 million)  
Contingent liability for debt assumption contracts of corporate bonds and loans: ¥83,051 million

12. Income per share for the financial year: ¥13.45
13. Net assets provided for in Article 290, paragraph 1, section 6 of the Commercial Code: ¥26,686 million.

Income Statements  
(Year from 1 April, 2000 through 31 March, 2001)

(Yen in millions)

Costs and Expenses		Operating Revenues	
<b>Ordinary Profit and Loss</b>			
Operating Profit and Loss			
Cost of products sold	206,558	Sales of products manufactured	582,023
Inventory at the beginning of the period	75	Sales of gases	581,756
Cost of products manufactured	208,778	Sales of by-products	267
Own use of products manufactured	2,197		
Inventory at the end of the period	97		
(Gross profit on sales)	(375,464)		
Expenses for distribution and sales	253,595		
General administrative expenses	73,141		
(Operating profit)	(48,728)		
Miscellaneous operation expenses	136,261	Miscellaneous business profits	139,140
Installations expenses	35,994	Revenues from house pipe installations	37,589
Appliance sales expenses	100,267	Appliances selling revenues	101,356
		Other miscellaneous business revenues	194
Expenses for incidental business	25,249	Profits for incidental business	32,963
(Operating income)	(59,320)		
Non-Operating Profit and Loss			
Non-operating expenses	12,538	Non-operating revenues	7,147
Interest payments	1,816	Interest earned	357
Interest for corporate bonds	3,616	Interest on securities	178
Amortization of discount on issued bonds	0	Dividends earned	1,691
Amortization of bond-issue expenses	135	Revenues from leases	1,550
Appraisal loss on stock investment in affiliated companies	4,206	Other revenues	3,368
Other miscellaneous expenses	2,761		
(Recurring profit)	(53,929)		
<b>Extraordinary Profit and Loss</b>			
Extraordinary losses	867		
Loss on sale of fixed assets	252		

Allowances for variance due to change of retirement allowance accounting standards	614		
(Income before tax)	(53,062)		
Income tax, etc.	21,800		
Adjustments for income tax, etc.	(1,730)		
Income	32,992		
Total	761,275	Total	761,275
Income			32,992
Retained earnings brought forward from previous financial year			40,344
Retirement of treasury stock			14,629
Interim dividends			6,154
Unappropriated earnings			52,553

Notes: Transactions with subsidiaries

Sales	¥10,828 million
Purchases	¥73,648 million
Non-operational transactions	¥24,165 million

#### Appropriation of Earnings

	Yen
Unappropriated earnings	52,553,407,695
Reversal of reserves for depreciation of designated gas pipeline construction	236,051,046
Reversal of reserves for losses incurred in overseas investments, etc.	37,112,266
<u>Total</u>	<u>52,826,571,007</u>
<u>To be appropriated as follows:</u>	
Cash dividends (¥2.5 per share)	6,073,721,695
Directors' bonuses	66,000,000
Reserves for depreciation of designated gas pipeline construction	11,477,630
Reserves for losses incurred in overseas investments, etc.	6,202,588,362
Earnings to be carried forward	40,472,783,320

Notes:

1. An interim dividend of ¥6,154,521,538 (¥2.5 per share) was paid on 8 December, 2000.
2. The reversal amount and the amount to be reserved for reserves for depreciation of designated gas pipeline construction and reserves for losses incurred in overseas investments, etc. are in accordance with the provisions specified in the Special Taxation Measures Law, and the figures take into account adjustments for tax effect.

**Certified Copy of Auditors' Report Prepared by Accounting Auditors**

Report of Independent Certified Public Accountants

11 May, 2001

To: Akio Nomura  
President of Osaka Gas Co., Ltd.

Asahi & Co.  
Representative Partner Certified Public Accountant Akiyoshi Miwa [seal]  
Representative Partner Certified Public Accountant Shyuichi Madokoro [seal]  
Representative Partner Certified Public Accountant Akira Yonebayashi [seal]

We have examined the balance sheets, income statements, operating report (only in respect of the section concerning the accounts), the proposed appropriation of earnings, and the supporting schedules (only in respect of the section concerning the accounts) of Osaka Gas Co., Ltd. for the 183rd business year which was from 1 April, 2000, through 31 March, 2001, in accordance with Article 2 of "the Commercial Code concerning the Special Measures applicable to Auditing Practices in Joint Stock Companies". The sections concerning the accounts in the operating report and the supporting schedules which were subject to our audit, are those in accordance with the accounting records of the operating report and the supporting schedules.

We have carried out this audit in accordance with generally accepted auditing standards. In addition, this audit includes the examination of the Company's subsidiaries which we deemed necessary.

As a result of this audit, we have reached the following conclusions:

1. The balance sheets and income statements give a true and proper account of the Company's assets and earnings in accordance with applicable laws and the Articles of Incorporation;
2. The operating report (only in respect of the section concerning the accounts) gives a true and proper account of the Company's operations in accordance with applicable laws and the Articles of Incorporation;
3. The proposed appropriation of earnings is appropriate in accordance with applicable laws and the Articles of Incorporation; and
4. The supporting schedules (only in respect of the section concerning the accounts) do not include any items which were necessary to be pointed out in accordance with the Commercial Code.

Neither Asahi & Co. nor any of its general partners have any conflict of interests with Osaka Gas Co., Ltd., which is required to be described under the Certified Public Accountant Law.

Asahi & Co.

## Certified Copy of Auditors' Report Prepared by the Board of Corporate Auditors

### Auditors' Report

The current audit covers the 183rd term which was from 1 April, 2000, through 31 March, 2001. Each Auditor has prepared a report of the method and the results of the audit in respect of performances of Directors' duties. We report as follows:

#### 1. Outline of the method of audit:

Each Auditor has effectuated the audit, in accordance with the policy which was defined by the Board of Corporate Auditors.

- (1) We have attended the meetings of the Board of Directors and other important meetings and have been informed in respect of their business results. Furthermore, we have examined important documents in respect of settlements, etc., and inspected the operations and the assets of the Company at its principal business offices. We have also required subsidiaries to report on their activities, and visited them in order to inspect their operations and assets, when necessary.
- (2) We have received reports and explanations from the Accounting Auditors, and examined the financial statements and the supporting schedules.
- (3) In respect of competitive transaction by the Directors; conflict-of-interest transaction between the Directors and the Company; unrewarded offering benefit of a proprietary nature by the Company; unusual transactions between subsidiaries or shareholders and the Company; and purchase and disposal of the Company's own treasury stocks, we have, in addition to the method of audit above, required reports from the Directors and others when necessary, and examined the relevant transactions minutely.

#### 2. The results of the audit:

- (1) Methods used by Asahi & Co. as the Accounting Auditors for this audit, and the results thereof, are fair and proper.
- (2) The operating report gives a fair and proper account of its business in accordance with applicable laws and the Articles of Incorporation.
- (3) The proposals for appropriation of earnings contains no matters which need to be pointed out, in the light of the Company's assets or any other considerations.
- (4) The supporting schedules give a true statement of the information required, and do not include any items which need to be pointed out.
- (5) No dishonesty or material facts that are in breach of applicable laws or the Articles of Incorporation have been detected in respect of execution by the Directors of their duties including the duty regarding subsidiaries. Additionally, no breach of duty by the Directors has been recognized in respect of competitive transaction by the Directors; conflict-of-interest transaction between the Directors and the Company; unrewarded offering benefit of a proprietary nature by the Company; unusual transactions between subsidiaries or shareholders and the Company; and purchase and disposal of the Company's own shares.

16 May, 2001

Osaka Gas Co., Ltd. the Board of Corporate Auditors

Toshio Tsuchiyama	Auditor (Full-time)	[seal]
Koichiro Yasuba	Auditor (Full-time)	[seal]
Kojiro Ambashi	Auditor (Full-time)	[seal]
Tadao Harada	Auditor	[seal]
Kojiro Niino	Auditor	[seal]

Note: Auditors, Tadao Harada and Kojiro Niino both satisfy the qualifying conditions specified in Article 18, Section 1 of the Commercial Code concerning the Special Measures applicable to Auditing Practices in Joint Stock Companies (qualifying conditions for external auditors).

## TOPICS

### **Establishment of “Residential Gas Hot Water under Floor Heating Contracts (Hot-Rate)”:**

In order to promote the gas floor heating, to improve the capacity utilization rate of the Company, and to reduce the overall price of gas, the Company has established “Residential Gas Hot Water under Floor Heating Contracts (Hot-Rate)” in January, 2001. These contracts offer a more inexpensive gas rate for customers if they set up facilities which make use of the gas floor heating and if they use more than a certain amount of gas. As a result hereof, the Company had, by the end of March, 2001, entered into approximately 15,000 contracts, and has since received favorable reputations from customers.



Residential gas hot water under floor heating contracts, “Hot-Rate”  
Gas floor heating becoming popular with customers

### **Receiving the “Ministry of Economy, Trade and Industry” Energy-Savings Prize for the Hot Water Generator for Floor Heating and Hot Water Supply, “Prior Eco”:**

The hot water generator for floor heating and hot water supply, which is a residential gas appliance produced by the Company, “Prior Eco” (a product produced based on a joint development with TAKAGI, INDUSTRIAL CORPORATION Co., Ltd.), received its first “Ministry of Economy, Trade and industry” energy-savings prize in February, 2001. Energy savings of approximately 12% occurred as a result of what is known as the condensing (latent heat recovery) technology which was used for the first time for this residential hot water generator for floor heating and hot water supply, and for which the Company then received a prize.



Receiving the top energy-savings prize for the hot water supply and space heating heat source which was produced by Osaka Gas

- ・平成 12 年度: Year ended March 2001
- ・省エネ大賞・経済産業大臣賞: The “Ministry of Economy, Trade and Industry” Energy-Savings Prize
- ・高効率ガス給湯暖房熱源機: High-Efficiency Gas, Hot Water Supply and Space Heating Heat Source
- ・(財)省エネルギーセンター主催: Presented by The Energy Conservation Center, Japan  
“Prior Eco” receiving an energy-savings prize

### **Startup of Operation of New Safety Instruction System:**

The Company established a “new safety instruction system” in order to promptly respond to inquiries of customers in respect of the operation of microcomputer-controlled meters and to respond to safety inquiries such as a gas leakage alarm, which was gradually introduced since July, 2000. Introduction of this system enables the Company to immediately identify the residence of the reporter, in effect reducing the time to respond and retransmitting both detailed and accurate data to its service vehicles, which in the end contributes to the enhancement of safety.



The latest information and communication technology contributes to the enhancement of safety.

### **District Heating and Cooling System Provided to Universal Studios Japan:**

Osaka Konohana Rinkai Energy Service, Co., Ltd. provides a heating and cooling system and heat supply for the hot water system to Universal Studios Japan, a large theme park which opened on 31 March, 2001, as well as to the facilities built around the Universal-city station. The Company first commenced with its district heating and cooling system business in the Senri-chuo area of Japan in 1970, and the Company's system currently operates district heating and cooling systems in 29 different areas of Japan.



Osaka Konohana Rinkai Energy Service, Co., Ltd.

Controlling Share:	Osaka Gas Co., Ltd.:	40%
	Kansai Electric Power, Co., Ltd.:	40%
	Sumitomo Metal Industries, Inc.	15%
	Sumitomo Corporation:	5%
Capital:	¥1 billion	

Main plant supports the air conditioning system of Universal Studios Japan.

### **Importing Omani LNG,**

#### **Implementing the LNG Tanker, the “LNG Jamal”:**

The Company has, as of November, 2000, commenced with the importation of 660,000 tons of LNG (liquefied natural gas) per annum from Oman, and will do so for the next 25 years in order to satisfy future increasing demand and diversify the supply source of raw materials. To transport the LNG, the third tanker held by the Company's group, the “LNG Jamal” (60 % owned by Osaka Gas International Transport Inc.) was built and arrived at the Senboku Terminal on 4 December, 2000. This was the first tanker to arrived at the Senboku Terminal from Oman.





Jamal means “camel” in Arabic.

It is expected to improve the stability of supplies.

### **Capital Investment in Nissho Iwai Petroleum Gas:**

In order to expand its LPG (liquefied petroleum gas) business, the Company acquired 70 % of the shares of Nissho Iwai Petroleum Gas, Co., Ltd. on 28 September, 2000. Nissho Iwai Petroleum Gas has been operating wholesale business of LPG nationwide while dealing in approximately 550,000 tons of LPG per annum. The Company plans to expand the demand for LPG from hereon in cooperation with another fuel gas supplying company, Liquid Gas Co., Ltd., which is an affiliated company within the Company’s group.

Nissho Iwai Petroleum Gas, Co., Ltd.

Controlling Share:	Osaka Gas Co., Ltd.:	70%
	Nissho Iwai Corporation:	30%
Capital:	¥1.72650 billion	



LPG terminal for the storage and shipment of LPG (YOKKAICHI LPG TERMINAL, Co., Ltd., Kasumi Office)

### **Entry into the Retail Business of Supplying Electric Power:**

The Company established ENNET Co., Ltd. in cooperation with NTT FACILITIES, INC. and Tokyo Gas Co., Ltd., on 7 July, 2000, in order to engage in the retail business of supplying electric power. ENNET Co., Ltd. has been operating since April, 2001, while securing a surplus power supply of a total of 24,000 kilowatt in both the Kanto and Kansai areas. It plans to secure, within

the next three years, a power supply of approximately 500,000 kilowatt.



Press conference in respect of the establishment of ENNET Co., Ltd.

ENNET Co., Ltd.

Controlling Share:	NTT FACILITIES, INC.	40%
	Osaka Gas Co., Ltd.:	30%
	Tokyo Gas Co., Ltd.:	30%
Capital:	¥6.3 billion	

**Startup of Introduction Business which Provides, through the Internet, Housing Service Information to Users:**

OG Capital Co., Ltd., one of the affiliated companies within the Company's group, began Japan's first home portal business (introduction business providing general housing service information and assisting the execution of contracts) "Home Pro", through the Internet in February, 2001. This Company aims to introduce without charge, highly regarded service member companies to users (consuming public) over the Internet. There are more than 200 different kinds of services falling into categories such as the renovation of houses, gardening, house cleaning services, and so on.

(URL of Home Pro: <http://www.homepro.co.jp>)

## ●ホームポータル事業の仕組み図



Chart for scheme of home portal business:

利用者: Users

アクセス申し込み: Subscription for Access

照会: Reference

応募: Application

紹介: Introduction

成約: Contract

サービス事業者: Service Member Companies

ホームプロ: Home Pro

Approximately 5,000 members were registered as of the end of March, 2001.

## Principal Management Indexes

Non-consolidated basis				Consolidated basis			
Year	Year ended March 1999	Year ended March 2000	Year ended March 2001	Year  (Number of consolidated subsidiaries)	Year ended March 1999  (20)	Year ended March 2000  (25)	Year ended March 2001  (35)
Items				Items			
Revenues (Yen in 100 millions)	6,999	6,951	<b>7,541</b>	Revenues (Yen in 100 millions)	8,313	8,492	<b>9,519</b>
Recurring profit (Yen in 100 millions)	435	394	<b>539</b>	Recurring profit (Yen in 100 millions)	527	456	<b>638</b>
Net profit (Yen in 100 millions)	171	245	<b>329</b>	Net profit (Yen in 100 millions)	216	273	<b>360</b>
Shareholders' equity (Yen in 100 millions)	3,455	3,854	<b>4,180</b>	Shareholders' equity (Yen in 100 millions)	3,808	4,285	<b>4,750</b>
Total assets (Yen in 100 millions)	9,970	10,130	<b>10,671</b>	Total assets (Yen in 100 millions)	11,783	12,195	<b>13,109</b>
Net profit per share (Yen)	6.78	9.82	<b>13.45</b>	Net profit per share (Yen)	8.56	10.94	<b>14.72</b>
Shareholders' equity per share (Yen)	138.21	155.54	<b>172.06</b>	Shareholders' equity per share (Yen)	152.31	172.95	<b>195.52</b>
ROE (%)	4.9	6.7	<b>8.2</b>	ROE (%)	5.7	6.8	<b>8.0</b>
ROA (%)	1.7	2.4	<b>3.2</b>	ROA (%)	1.8	2.3	<b>2.9</b>
Free cash flow (Yen in 100 millions)	184	122	<b>372</b>	Free cash flow (Yen in 100 millions)	282	189	<b>405</b>

\* Free Cash Flow: Operating income after taxes + depreciation expenses (including depreciation of long-term prepaid expenses and increase or decrease of liability reserves, etc.) - capital investment

Consolidated Balance Sheets

(As of 31 March, 2001)

(Yen in millions)

Assets			Liabilities		
Items	End of this consolidated fiscal year (as of 31 March, 2001)	End of previous consolidated fiscal year (for your reference purposes only) (as of 31 March, 2000)	Items	End of this consolidated fiscal year (as of 31 March, 2001)	End of previous consolidated fiscal year (for your reference purposes only) (as of 31 March, 2000)
<b>Fixed Assets</b>	<b>1,088,356</b>	<b>1,024,467</b>	<b>Fixed Liabilities</b>	<b>565,770</b>	<b>499,952</b>
<b>Tangible fixed assets</b>	<b>850,090</b>	<b>842,770</b>	Corporate bonds	251,028	233,808
Production facilities	134,814	126,063	Long-term loans	192,472	150,380
Distribution facilities	381,115	347,141	Reserves for retirement fund		96,706
Operating facilities	90,206	91,553	Reserves for retirement allowance	101,278	
Other facilities	183,900	161,812	Reserves for repairs of gasholders	1,957	1,956
Idle facilities	1,532	1,532	Others	19,034	17,100
Construction in progress	58,521	114,667	<b>Current Liabilities</b>	<b>263,501</b>	<b>287,099</b>
<b>Intangible fixed assets</b>	<b>14,931</b>	<b>10,158</b>	Fixed liabilities due within one year	23,611	29,882
<b>Investments and other assets</b>	<b>223,334</b>	<b>171,539</b>	Notes and bills payable & trade accounts payable	48,103	37,290
Investments securities	154,051	89,990	Short-term borrowing	43,079	47,362
Long-term loans receivable	15,625	14,023	Accrued income tax, etc.	25,261	23,787
Deferred tax assets	19,687	34,372	Others	123,446	148,776
Others	36,516	33,502	<b>Total Liabilities</b>	<b>829,272</b>	<b>787,051</b>
Provision for doubtful debts	(2,547)	(349)	<b>Minority Shareholders' Interest</b>		
<b>Current Assets</b>	<b>222,613</b>	<b>195,046</b>	Minority Shareholders' Interest	<b>6,683</b>	<b>3,939</b>
Cash & bank deposits	29,120	16,624	<b>Shareholders' Equity</b>		
Notes and bills receivable & trade accounts receivable	111,001	94,227	<b>Common Stock</b>	<b>132,166</b>	<b>132,166</b>
Inventory assets	39,100	33,485	<b>Capital Reserve</b>	<b>19,482</b>	<b>19,482</b>
Deferred tax assets	11,377	7,775	<b>Consolidated Surplus</b>	<b>288,140</b>	<b>276,882</b>
Others	32,920	43,661	<b>Variance of the Valuation for Other Marketable Securities</b>	<b>35,253</b>	
Provision for doubtful debts	(906)	(727)		<b>475,043</b>	<b>428,532</b>
<b>Deferred Assets</b>	<b>5</b>		<b>Treasury Stock</b>	<b>(23)</b>	<b>(8)</b>
Discount on issued bonds	5		<b>Total Shareholders' Equity</b>	<b>475,019</b>	<b>428,523</b>

<b>Total Assets</b>	<b>1,310,976</b>	<b>1,219,514</b>	<b>Total Liabilities, Minority Shareholders' Interest &amp; Shareholders' Equity</b>	<b>1,310,976</b>	<b>1,219,514</b>
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**Consolidated Income Statements**  
(Year from 1 April, 2000 through 31 March, 2001)

(Yen in millions)

Items	End of this consolidated fiscal year (from 1 April, 2000 through 31 March, 2001)	End of previous consolidated fiscal year (for your reference purposes only) (from 1 April, 1999 through 31 March, 2000)
<b>Revenues</b>	<b>951,926</b>	<b>849,225</b>
<b>Cost of products sold</b>	<b>501,490</b>	<b>412,302</b>
<b>(Gross profit on sales)</b>	<b>(450,436)</b>	<b>(436,923)</b>
<b>Expenses for distribution and sales and general administrative expenses</b>	<b>376,381</b>	<b>374,199</b>
<b>(Operating income)</b>	<b>(74,055)</b>	<b>(62,723)</b>
<b>Non-operating revenues</b>	<b>9,272</b>	<b>6,396</b>
Interest earned	648	610
Dividends earned	1,552	1,177
Exchange profit		690
Profits on sale of stock investment	1,916	
Other revenues	5,154	3,918
<b>Non-operating expenses</b>	<b>19,477</b>	<b>23,510</b>
Interest payments	7,605	8,320
Loss from redemption of debentures		2,714
Loss from repayment of loans		3,084
Appraisal loss on stock investment		3,986
Appraisal loss on stock investment in affiliated companies	4,402	
Other miscellaneous expenses	7,470	5,404
<b>(Recurring profit)</b>	<b>(63,849)</b>	<b>(45,609)</b>
<b>Extraordinary profit</b>	<b>1,132</b>	<b>491</b>
Profits on sale of fixed assets	1,132	491
<b>Extraordinary losses</b>	<b>5,137</b>	<b>157</b>
Loss on sale of fixed assets	1,817	
Advanced depreciation deduction of fixed assets	590	157
Allowances for variance due to change of retirement allowance accounting standards	2,729	
<b>(Net profit before adjustments for income tax, etc.)</b>	<b>(59,844)</b>	<b>(45,943)</b>
<b>Income tax, residential tax and business tax</b>	<b>28,089</b>	<b>24,069</b>
<b>Adjustments for income tax, etc.</b>	<b>(4,792)</b>	<b>(5,428)</b>
<b>Interest of a minority shareholder (subtraction)</b>	<b>450</b>	<b>(42)</b>
<b>Net profit</b>	<b>36,097</b>	<b>27,345</b>

Consolidated Subsidiaries (35 companies)

Kinki Piping Co., Ltd.
Harman Co., Ltd.
Urbanex Co., Ltd.
OG Capital Co., Ltd.
Kyoto Research Park Co., Ltd.
Kinrei Co., Ltd.
OG Royal Co., Ltd.
Enetech Kyoto Co., Ltd.
Enetech Minami-Osaka Co., Ltd.
Osaka Gas International Transport Inc.
Osaka Gas Engineering Co., Ltd.
Osaka Gas Chemicals Co., Ltd.
Osaka Gas Housing Equipment Co., Ltd.
Osaka Gas Security Service Co., Ltd.
OG Auto Service Co., Ltd.
Active Life Inc.
L-net Co., Ltd.
OG Sports Co., Ltd.
OGIS Co., Ltd.
OGIC Co., Ltd.
OG Road Co., Ltd.
Gasnet Co., Ltd.
Kansai Research Institute, Inc.
Kiccory Co., Ltd.
CRYO-AIR Co., Ltd.
Cold Air Products Co., Ltd.
Serendi Co., Ltd.
Harman Engineering Co., Ltd.
Harman Seiki Co., Ltd.
Liquid Gas Co., Ltd.
Liquid Gas Kyoto Co., Ltd.
Nissho Iwai Petroleum Gas Co., Ltd.
Nissho Propane Sekiyu Co., Ltd.
Nissho Iwai Gas Co., Ltd.
Nissho Iwai Gas Energy Co., Ltd.



chart 1

The number of customers and Sales of gas by segment

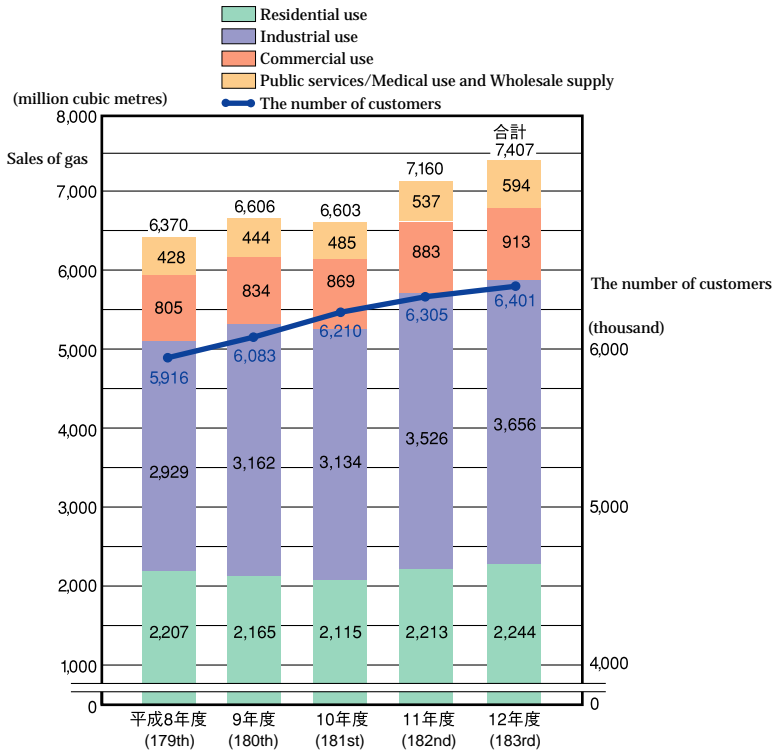


chart 2

Sales for each segment

% in parentheses stands for the change over last year.  
other % in the circle graph stands for the share.

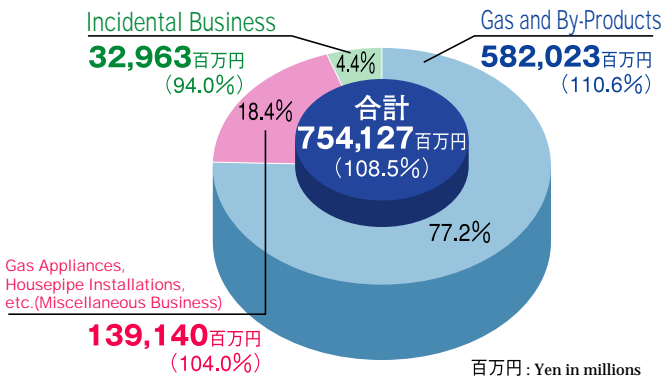


chart 4

Income and recurring profit

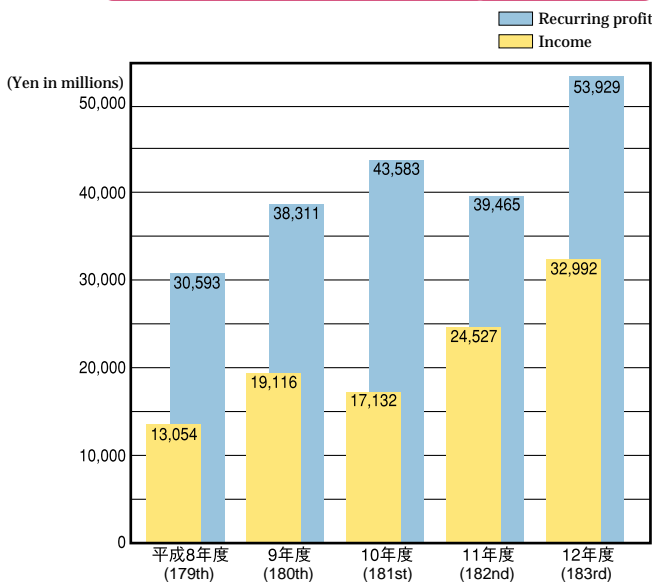


chart 3

Sales

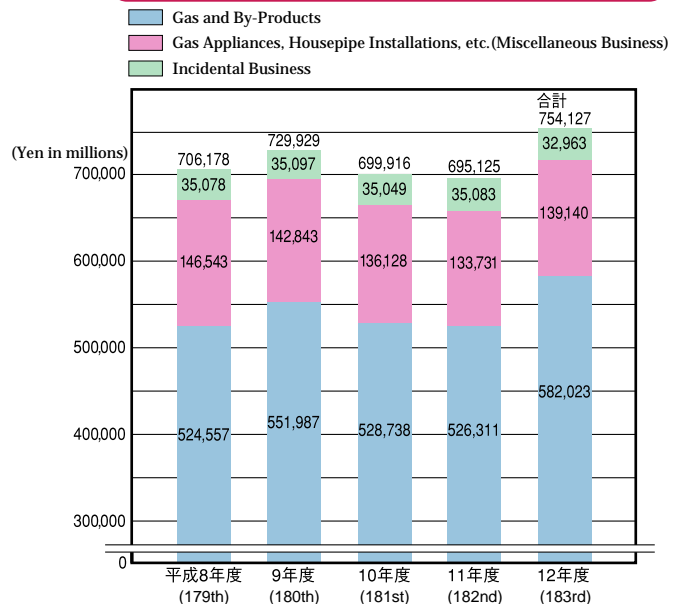


chart 5

Capital Investment

