

# 10. Highlights of Non-consolidated Financial Statements

## For the Year Ended March 31, 2004

April 28, 2004

**Name of Listed Company** Osaka Gas Co., Ltd.

Code 9532

(URL <http://www.osakagas.co.jp>)

Representative Officer Title: President

Contact: Title: Accounting Manager and Director

Date of Meeting of Board of Directors for Approving Financial Statements: April 23, 2004

Date of Annual General Meeting of Shareholders: June , 2004  
(to be determined at the May 2004 meeting of the Board of Directors)

Listed Exchanges: Tokyo, Osaka and Nagoya Exchanges

Location of Head Office: Osaka Prefecture

Name: Hirofumi Shibano

Name: Yoshishige Suzuma Tel: +81-6-6205-4537

Interim Dividend System: existent

System of trading unit of shares: adopted  
(Unit: 1,000 shares)

### 1. Financial Results for the Year Ended March 31, 2004 (April 1, 2003 - March 31, 2004)

#### (1) Operational results

(Any amount less than one million yen is rounded down to the nearest million yen)

	Sales		Operating profit		Ordinary profit	
	million yen	%	million yen	%	million yen	%
Year ended March 31, 2004	729,923	1.1	67,356	1.3	64,379	18.8
Year ended March 31, 2003	722,240	-3.8	66,468	-18.6	54,177	-23.0

	Net Income		Retained earnings per share	Diluted retained earnings per share	Ratio of retained earnings to shareholders' equity	Ratio of ordinary profit to total assets	Ratio of ordinary profit to sales
	million yen	%	yen	yen	%	%	%
Year ended March 31, 2004	39,475	55.1	17.24	---	9.8	6.6	8.8
Year ended March 31, 2003	25,453	-32.5	10.77	---	6.4	5.5	7.5

Notes: (1) Average number of outstanding shares during term Year ended March 31, 2004: 2,285,781,631 shares  
Year ended March 31, 2003: 2,357,853,049 shares

(2) Change in accounting method: N/A

(3) Percentages shown for sales, operating profit, ordinary profit and net income in tables above are percentages of change from the previous year.

#### (2) Dividends

	Annual dividend per share			Aggregate annual dividends paid	Payout ratio	Ratio of dividends to shareholder's equity
	Interim dividend per share	Final dividend per share				
	yen	yen	yen	million yen	%	%
Year ended March 31, 2004	6.00	3.00	3.00	13,583	34.8	3.3
Year ended March 31, 2003	6.00	3.00	3.00	13,996	55.7	3.6

#### (3) Financial position

	Total assets	Shareholders equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
	million yen	million yen	%	yen
Year ended March 31, 2004	977,805	417,741	42.7	187.24
Year ended March 31, 2003	972,954	391,983	40.3	170.60

Notes: (1) Shares outstanding as of year-end: As of March 31, 2004: 2,230,774,561 shares  
As of March 31, 2003: 2,297,328,044 shares

(2) Repurchased shares : As of March 31, 2004: 138,236,978 shares  
As of March 31, 2003: 71,683,495 shares

### 2. Forecast for the Year Ending March 31, 2005 (April 1, 2004 - March 31, 2005)

	Sales	Ordinary profit	Net income	Final dividends per share		
				Interim	Year-end	
	million yen	million yen	million yen	yen	yen	yen
Six months ending September 30, 2004	316,500	27,500	10,000	3.00	---	---
Full year	727,500	75,000	40,000	---	3.00	6.00

Reference: Expected earnings per share (for the full year): 17.90 yen

\* The above forecasts are based on information available as of the date of this document, and actual results may differ from these forecasts due to various factors affecting the Company's business performance. See "10-1 Operational Results, (3) Projection for the Year Ending March 31, 2005" in the attachments.

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Overview of Non-consolidated Financial Statements  
for the Year Ended March 31, 2004  
(186th business year)  
[April 1, 2003 - March 31, 2004]

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Osaka Gas Co., Ltd.

## 10-1.Operational Results

### (1) Gas Sales

Residential gas sales volume increased 0.3% to 2,304 million m<sup>3</sup> despite a decline in the average monthly gas usage per household due to a warm winter. This growth is attributable to an increase in customers by 68,000 households over the previous year.

Mainly due to an increase in usage by existing customers and the development of new demand, gas sales to industrial users registered an increase except in sales to commercial users, which were adversely affected by the cool summer and warm winter. Specifically, sales to industrial users increased 1.3% and sales to public and medical institutions increased 1.6% over the previous year. As a result, overall commercial/industrial gas sales increased 1.1% to 5,280 million m<sup>3</sup>.

With addition of sales to other gas wholesalers, total gas sales increased 1.0% to 7,766 million m<sup>3</sup> over the previous year.

		Year ended March 31, 2004 (04/2003 - 03/2004) A	Year ended March 31, 2003 (04/2002 - 03/2003) B	A - B	A/B	
Customers (meters installed)	Residential	6,316 thousand	6,248 thousand	68 thousand	101.1%	
	Commercial/ industrial	318	314	4	101.2%	
	Total	6,634	6,562	72	101.1%	
Average monthly usage per customer	Residential	34.3 m <sup>3</sup> /month	34.5 m <sup>3</sup> /month	-0.2 m <sup>3</sup> /month	99.5%	
	Average of all customers	108.1	108.0	0.1	100.1%	
Gas sales	Residential	2,304 million m <sup>3</sup>	2,298 million m <sup>3</sup>	6 million m <sup>3</sup>	100.3%	
	Commercial/ industrial	5,280	5,222	58	101.1%	
		Industrial	3,735	3,686	49	101.3%
		Commercial	986	986	0	100.0%
	Public and medical institutions	559	550	9	101.6%	
	Wholesale	182	168	15	108.8%	
Total	7,766	7,687	79	101.0%		

[Unit: 45MJ/ m<sup>3</sup>]

[Reference] Average  
temperature  
(°C)

Year ended March 31, 2004 (04/2003 - 03/2004)	A	Year ended March 31, 2003 (04/2002 - 03/2003)	B	A - B
17.16		16.82		+0.34

## (2) Overview of Profit and Loss

(Unit: 100 million yen)

Revenues		Change from same period of previous year		
		Increase/decrease	Percent (%)	
Product sales	5,721	+28	100.5	
Other sales	Installation work	343	-10	96.9
	Gas appliances	975	+56	106.2
	Other sales	259	+2	100.9
	Total	1,577	+48	103.1
Total sales	7,299	+76	101.1	
Non-operating revenues	77	+2	103.7	
Total revenues	7,376	+79	101.1	

Expenses		Change from same period of previous year		
		Increase/decrease	Percent (%)	
Cost of sales	2,028	+43	102.2	
Selling, general and administrative expenses	3,131	-23	99.3	
Total	5,159	+20	100.4	
Other expenses	Installation work	330	-10	96.9
	Gas appliances	960	+53	105.9
	Other expenses	175	+4	102.8
	Total	1,466	+47	103.3
Operating expenses	6,625	+67	101.0	
Operating profit	673	+8	101.3	
Non-operating expenses	107	-90	54.3	
Total expenses	6,733	-22	99.7	

Ordinary profit	643	+102	118.8
Net income	394	+140	155.1

(Any amount less than a hundred million yen has been rounded down.)

Return on Equity (ROE) 9.8% [previous year: 6.4%]

Return on Assets (ROA) 4.0% [previous year: 2.6%]

Shareholder Value Added (SVA) 20,000 million yen [previous year: 3,600 million yen]

Free cash flow (\*1) 56,900 million yen [previous year: 11,300 million yen]

(\*1) Free cash flow = Cash flow from operating activities - Capital expenditures

[Reference]

- Cost of raw materials included in cost of sales: 182,100 million yen (increase of 500 million yen, or 0.3%, from the previous year)

- Exchange rate and cost of crude oil

	Year ended March 31, 2004 (04/2003 - 03/2004) A	Year ended March 31, 2003 (04/2002 - 03/2003) B	A - B
Exchange rate (yen/dollar) *1	113.19	121.98	-8.79
Cost of crude oil (dollar/bbl) *2	29.41	27.40	+2.01

\*1: TTM rate

\*2: All Japan CIF price. The crude oil price for March 2004 used in the calculation of the average price for the year ending March 31, 2004 is a preliminary price, not a fixed price.

### (3) Projection for the Year Ending March 31, 2005

Sales volume is expected to increase by 3.3% to 8,020 million m<sup>3</sup>. Sales will remain at the level of the previous year at 727,500 million yen. However, operating profit is expected to increase 11.3% to 75,000 million yen over the previous year due to cost reductions, and ordinary profits are expected to increase 16.5% to 75,000 million yen backed by improvements in non-operating revenues. Net income for the Fiscal Year ending March 31, 2005 is projected to increase 1.3% to 40,000 million yen over the previous year due to extraordinary losses resulting from the application of accounting for the impairment of fixed assets.

	Projection for Year Ending March 31, 2005	Change from previous year
Gas sales	8,020 million m <sup>3</sup>	+3.3%
Sales	727,500 million yen	-0.3%
Operating profit	75,000 million yen	+11.3%
Ordinary profit	75,000 million yen	+16.5%
Net income	40,000 million yen	+1.3%

[Forecasted crude oil price: US\$28/bbl, forecasted exchange rate: 110 yen to US\$1]

Return on Equity (ROE)	9.5%
Return on Assets (ROA)	4.1%
Shareholder Value Added (SVA)	20,300 million yen
Free Cash Flow	59,600 million yen

### (4) Capital Expenditures Plan for the Year Ending March 31, 2005

(Unit: 100 million yen)

	Year ending March 31, 2005 (projection)	Year ended March 31, 2004 (actual results)	Description of expenditures planned for year ending March 31, 2005
Production facilities	38	22	Renovation of facilities, etc.
Supply facilities	388	389	Construction of trunk lines, main and branch pipelines, etc.
Operational facilities, etc.	243	58	Power generation facilities, etc.
Total	669	470	

## 10-2.Non-consolidated Financial Statements

### (1) Balance Sheet

(Unit: million yen)

Account	As of March 31, 2004	As of March 31, 2003	Change from previous year	
			Amount	Percentage (%)
<b>(Assets)</b>				
<b>Fixed Assets</b>	822,205	837,149	-14,943	98.2
Tangible fixed assets	601,674	628,771	-27,097	95.7
Production facilities	117,468	113,988	3,479	103.1
Supply facilities	372,629	348,326	24,303	107.0
Operational facilities	86,845	94,156	-7,310	92.2
Incidental business facilities	2,332	2,777	-455	84.0
Idle facilities	1,532	1,532	-	100.0
Construction in progress	20,866	67,990	-47,123	30.7
Intangible fixed assets	5,261	5,272	-10	99.8
Patents	0	0	-0	47.8
Leaseholds	3,021	2,863	158	105.5
Other intangible fixed assets	2,239	2,408	-168	93.0
Investments	215,269	203,105	12,164	106.0
Investments in securities	73,708	43,791	29,916	168.3
Investments in affiliates	75,461	73,850	1,611	102.2
Long-term loans receivable from affiliates	37,932	37,897	34	100.1
Investment in capital	198	101	97	196.5
Long-term prepaid expenses	4,022	4,303	-280	93.5
Deferred tax assets	14,384	32,945	-18,561	43.7
Other investments	10,646	11,240	-594	94.7
Allowance for bad debts	-1,084	-1,025	-58	105.7
<b>Current Assets</b>	155,570	135,772	19,797	114.6
Cash and deposits	6,668	15,305	-8,636	43.6
Notes receivable	1,545	788	756	196.0
Trade accounts receivable	65,891	63,070	2,820	104.5
Trade accounts receivable from affiliates	5,063	5,050	13	100.3
Other accounts receivable	16,170	14,388	1,781	112.4
Products	84	86	-2	97.2
Raw materials	10,970	7,253	3,717	151.3
Stores	8,234	10,391	-2,157	79.2
Short-term loans receivable from affiliates	18,239	-	18,239	-
Short-term accounts receivable from affiliates	1,451	4,568	-3,116	31.8
Deferred tax assets	11,624	8,615	3,008	134.9
Other current assets	10,251	6,851	3,399	149.6
Allowance for bad debts	-625	-598	-27	104.6
<b>Deferred Assets</b>	29	32	-2	91.5
Premium on bonds	29	32	-2	91.5
<b>Total assets</b>	<b>977,805</b>	<b>972,954</b>	<b>4,850</b>	<b>100.5</b>

(Unit: million yen)

Account	As of March 31, 2004	As of March 31, 2003	Change from previous year	
			Amount	Percentage (%)
<b>(Liabilities)</b>				
<b>Fixed Liabilities</b>	361,583	416,098	-54,514	86.9
Corporate bonds	218,660	229,660	-11,000	95.2
Long-term loans payable	100,066	115,091	-15,024	86.9
Reserve for retirement benefits	38,110	65,964	-27,854	57.8
Reserve for gasholder repair	1,469	1,592	-122	92.3
Other fixed liabilities	3,277	3,790	-513	86.5
<b>Current Liabilities</b>	198,480	164,873	33,607	120.4
Current portion of fixed liabilities	13,978	22,413	-8,434	62.4
Trade accounts payable	11,356	9,634	1,721	117.9
Other accounts payable	20,702	21,725	-1,023	95.3
Accrued expenses	56,322	45,505	10,816	123.8
Corporate taxes payable	22,752	13,077	9,675	174.0
Advances received	7,155	8,425	-1,269	84.9
Deposits received	1,108	2,729	-1,620	40.6
Short-term loans payable to affiliates	21,622	-	21,662	-
Short-term accounts payable to affiliates	12,863	14,400	-1,537	89.3
Commercial paper	26,000	24,000	2,000	108.3
Other current liabilities	4,579	2,962	1,616	154.5
<b>Total liabilities</b>	<b>560,064</b>	<b>580,971</b>	<b>-20,907</b>	<b>96.4</b>
<b>(Shareholders' Equity)</b>				
<b>Capital Stocks</b>	132,166	132,166	-	100.0
<b>Capital Reserves</b>	19,482	19,482	0	100.0
Capital reserve	19,482	19,482	0	100.0
Other capital reserves	0	-	0	-
Gains/losses from the disposal of treasury stocks	0	-	0	-
<b>Retained Earnings</b>	282,269	256,637	25,632	110.0
Profit reserve	33,041	33,041	0	100.0
Reserve for reduction of costs relating to replacement of specific assets, etc.	224	224	0	100.0
Reserve for write-off of specific gas piping works	1,983	2,289	-306	86.6
Reserve for loss on overseas investments, etc.	6,222	6,227	-4	99.9
Reserve for adjustment for cost fluctuation	89,000	89,000	0	100.0
Reserve for other specific purposes	62,000	62,000	0	100.0
Unappropriated retained earnings	89,796	63,853	25,943	140.6
<b>Difference between Market Price and Acquisition Cost</b>	25,228	4,802	20,426	525.4
Difference between market price and acquisition cost of other securities	25,228	4,802	20,426	525.4
<b>Treasury stocks</b>	-41,406	-21,104	-20,301	196.2
Treasury stocks	-41,406	-21,104	-20,301	196.2
<b>Total capital</b>	<b>417,741</b>	<b>391,983</b>	<b>25,758</b>	<b>106.6</b>
<b>Total liabilities and shareholders' equity</b>	<b>977,805</b>	<b>972,954</b>	<b>4,850</b>	<b>100.5</b>

## (2) Profit and Loss Statement

(Unit: million yen)

Account		Year ended March 31, 2004 (04/2003 - 03/2004)	Year ended March 31, 2003 (04/2002 - 03/2003)	Change from same period of previous year		
				Amount	Percentage (%)	
Operating Profit and Loss	Product sales	572,127	569,260	2,866	100.5	
	Gas sales	572,127	569,260	2,866	100.5	
	Cost of sales	202,805	198,418	4,387	102.2	
	(Gross Profit on Sales)	(369,321)	(370,842)	(-1,521)	(99.6)	
	Selling expenses	236,197	244,554	-8,356	96.6	
	General and administrative expenses	76,915	70,885	6,030	108.5	
	(Core Business Profit)	(56,208)	(55,403)	(805)	(101.5)	
	Miscellaneous operational revenues	132,458	127,545	4,912	103.9	
	Revenues from installation work	34,333	35,414	-1,081	96.9	
	Revenues from gas appliances sales	97,505	91,827	5,677	106.2	
	Other miscellaneous operational revenues	619	303	315	204.0	
	Miscellaneous operational expenses	129,067	124,812	4,255	103.4	
	Cost of installation work	33,050	34,112	-1,062	96.9	
	Cost of gas appliances sales	96,017	90,699	5,317	105.9	
	Revenues from incidental businesses	25,337	25,433	-96	99.6	
	Cost of incidental businesses	17,580	17,102	478	102.8	
	(Operating Profit)	(67,356)	(66,468)	(887)	(101.3)	
	Non-Operating Profit and Loss	Non-operating revenues	7,759	7,481	277	103.7
		Interest income	452	458	-6	98.6
		Interest income on securities	-	55	-55	0.0
Dividend income		1,070	1,142	-72	93.7	
Lease income		1,494	1,657	-162	90.2	
Gains from the sale of investments in securities		1,509	-	1,509	-	
Miscellaneous revenues		3,231	4,167	-935	77.6	
Non-operating expenses		10,736	19,772	-9,035	54.3	
Interest expense		1,461	1,505	-43	97.1	
Interest expense on corporate bonds		3,625	2,777	848	130.5	
Amortization of bond premiums		2	1	1	178.1	
Amortization of bond expenses		-	201	-201	0.0	
Loss from redemption of bonds		3,742	-	3,742	-	
Loss from valuation of investment in securities		-	7,749	-7,749	0.0	
Loss from valuation of investment in affiliates		-	4,361	-4,361	0.0	
Miscellaneous expenses	1,904	3,175	-1,271	60.0		
(Ordinary Profit)	(64,379)	(54,177)	(10,201)	(118.8)		
Extraordinary Profit and Loss	Extraordinary profit	362	285	76	126.7	
	Gains from sales of fixed assets	362	285	76	126.7	
	Extraordinary loss	3,503	13,647	-10,143	25.7	
	Loss from sales of fixed assets	3,372	456	2,916	739.2	
	Loss from reduction of fixed assets' cost	130	232	-101	56.3	
	Early retirement charges	-	12,958	-12,958	0.0	
(Net income before taxes)	(61,238)	(40,816)	(20,421)	(150.0)		
Corporate taxes	17,800	14,400	3,400	123.6		
Adjustment for difference of tax allocation between financial accounting and tax accounting	3,962	963	2,999	411.4		
Net income	39,475	25,453	14,021	155.1		
Profit brought forward from previous period	57,212	45,504	11,707	125.7		
Interim dividends	6,890	7,104	-213	97.0		
Unappropriated retained earnings	89,796	63,853	25,943	140.6		

(Note) Regarding the values in Sales shown in 1. Operational Results of Financial Results for the Year Ended March 31, 2004 in Highlight of Non-consolidated Financial Statements are the sum of product sales, miscellaneous operational revenues, and revenues from incidental businesses.



(Notes)

1. Significant Accounting Policies

(1) Tangible fixed assets are depreciated by the declining balance method, except buildings (excluding fixtures attached to buildings) acquired on and after April 1, 1998, which are depreciated by the straight line method.

(2) Securities are evaluated by the following methods:

Securities of subsidiaries and affiliates: at cost on moving average basis

Other securities

Securities having market price : at market, based on the market price on the closing date of the current year

(All the difference between the market price and the acquisition cost is accounted for by the “direct-inclusion-to-capital” method, and the cost of sales is calculated by moving average method.)

Securities having no market price : at cost on moving average basis

(3) Products are evaluated at cost on gross average basis. Raw materials and stores are evaluated at cost on moving average basis.

(4) The following significant reserves are provided:

Reserve for retirement benefits : To prepare for payment of retirement benefits to employees, a reserve for retirement benefits is provided. An amount of accrued retirement benefits payable to employees at the end of the current year is provided based on retirement benefit liabilities and the expected value of the pension assets.

Reserve for gasholder repair : To prepare for payment of expenses needed for periodical repair of globular gasholders, a reserve for gasholder repair is provided for the expected repair cost needed in the next scheduled repair based on the actual cost paid in the last repair, over the period by the next scheduled repair.

(5) Accounting of lease transactions

Finance lease transactions, except those in which the ownership of the leased properties is transferred to the lessees, are recorded by the accounting method used for regular lease transactions.

(6) Consumption taxes are recorded by the tax-exclusion method.

2. Accumulated Depreciation of Fixed Tangible Assets: ¥1,534,104 million

(¥1,477,467 million at the end of the previous year)

3. Guarantee of Liabilities: ¥7,550 million

(¥8,445 million at the end of the previous year)

Contingent liabilities in connection with corporate bonds and loan contracts: ¥82,706 million

(¥121,454 million at the end the previous year)

## 10-3. Securities

### Information on stocks of subsidiaries and affiliates having market price

(1) As of March 31, 2004

	Value reported on balance sheet	Market price	Difference
Subsidiaries' stock	1,241 million yen	3,354 million yen	2,112 million yen

(2) As of March 31, 2003

	Value reported on balance sheet	Market price	Difference
Subsidiaries' stock	1,241 million yen	3,255 million yen	2,013 million yen

## 10-4. Proposed Appropriation of Retained Earnings

(Unit: million yen)

	Year ended March 31, 2004 (04/2002 - 03/2004)	Year ended March 31, 2003 (04/2002 - 03/2003)
Unappropriated retained earnings	89,796	63,853
Reversal of reserves for the reduction of costs related to replacement of specific assets, etc.	7	
Reversal of reserve for write-off of specific gas piping work	306	306
Reversal of reserve for loss from overseas investments, etc.	4	4
Total	90,114	64,164
The above-mentioned profit will be appropriated as follows:		
Dividends (per share)	6,692 (3.00 yen)	6,891 (3.00 yen)
Directors' bonuses	60	60
Unappropriated retained earnings carried forward to next year	83,362	57,212

(Notes)

1. On November 28, 2003, dividends of ¥6,890 million (¥3.00 per share) were distributed to shareholders.
2. The reversal of reserves for the reduction of costs related to replacement of specific assets, etc., the reversals of reserve for write-off of specific gas piping works and the reserve for loss from overseas investments, etc. were based on the Special Taxation Measures Law, and the figures were adjusted with interperiod tax allocation.
3. All the other capital reserves will be carried over to the next fiscal year.

## 10-5. Changes in the Board of Directors

Information will be disclosed as soon as appropriate, around mid May.