FY2003.3 Management Plan

April 3, 2002

Osaka Gas Co.,Ltd

Features of the FY2003.3 Management Plan

Current management policies

1. **Accomplishing the goals set for the final year of the medium-term management plan**
2. **Increasing income from the energy business and decreasing expenditures**
3. **Boosting the competitive edge of “non-energy business"**

FY2003.3 Income and expenditure plan (consolidated)

- As compared to the FY2002.3 business forecasts, sales are expected to decrease by about ¥25 billion in FY2003.3 due to the effects of tariff revisions and the fuel cost adjustment system. In addition, profit-boosting factors such as an increased volume of gas sales and cost reduction are anticipated to raise income by ¥22 billion. As a result, it is estimated that the consolidated profits at the end of the current term will decrease ¥3 billion, to ¥40 billion.

Volume of gas sales

- In FY2002.3, the volume of gas sales is expected to be lower than originally planned since less gas was consumed by households due to weather factors and by industries due to the sluggish economy.
- For business forecasts for the years after FY2003.3, we took into consideration the average temperatures of the past five years, industry operating rates of about the same level as in FY2002.3, a decline of demand due to gas-to-gas competition, and also included positive factors such as the effects of tariff revisions and increased sales resulting from our exploring new markets with home-use gas hot-water floor heating systems and cogeneration systems.

Capital Expenditures

- In FY2002.3, capital expenditures are anticipated to be lower than originally planned due to our cost-cutting efforts and the review of construction periods.
- After FY2003.3, we will continue to take cost cutting measures on a non-consolidated basis in order to keep Capex within the range of internally procurable depreciation expenses. Our consolidated subsidiaries plan to invest in equipment and facilities for the electric power business.

Selectivity and centralization for “non-energy business"

- We will carefully select new high-growth areas for business development, and also promote selectivity and centralization for existing businesses to fortify our core competence.

Main Topics in the FY2003.3 Management Plan

- **Full-scale enhancement of SVA**
  - Enhancement of SVA (Shareholders' Value Added) of affiliated companies, and acceleration of business reforms
- **Maximization of the effects of tariff revisions**
  - Deterrence of conversion to electric power, and expansion of sales of cogeneration systems
- **Development of new applications**
  - Commercialization of residential gas-engine cogeneration systems
  - Promotion of natural gas vehicles and cogeneration systems for residential complexes
- **Examination of new cost reduction/asset compression measures**
- **Expansion of investment on high growth areas**
- **Construction of new business models for post-deregulation market**
  - Reorganization of value chain (organization)
  - Construction of group management accounting system (GMAC)

We plan to address these management topics in FY2003.3. In FY2002, we will establish a medium-term plan for FY2003.3-FY2005.3 and incorporate new cost cutting policies and business strategies.

Preconditions for the FY2003.3 Management Plan

Note: Prospects for FY2002.3 are not presented in this meeting. The following data are those released in the interim financial report.

	Results in year from 4/2000 to 3/2001		Prospect for year from 4/2001 to 3/2002		Plan for year from 4/2002 to 3/2003 02.4	
	Consolidated basis	Non-consolidated basis	Consolidated basis	Non-consolidated basis	Consolidated basis	Non-consolidated basis
Crude oil price ($/bbl)	28.4	---	27.3	---	20	---
Exchange rate (¥/US$)	110.5	---	120.1	---	135	---
Number of consolidated subsidiaries (companies)	35	---	43	---	54	---
Number of employees (persons)	14,256	9,241	14,277	8,965	14,486	8,630

"Number of employees" includes temporarily transferred employees and excludes employees on short-term contracts.

FY2003.3 Management Plan

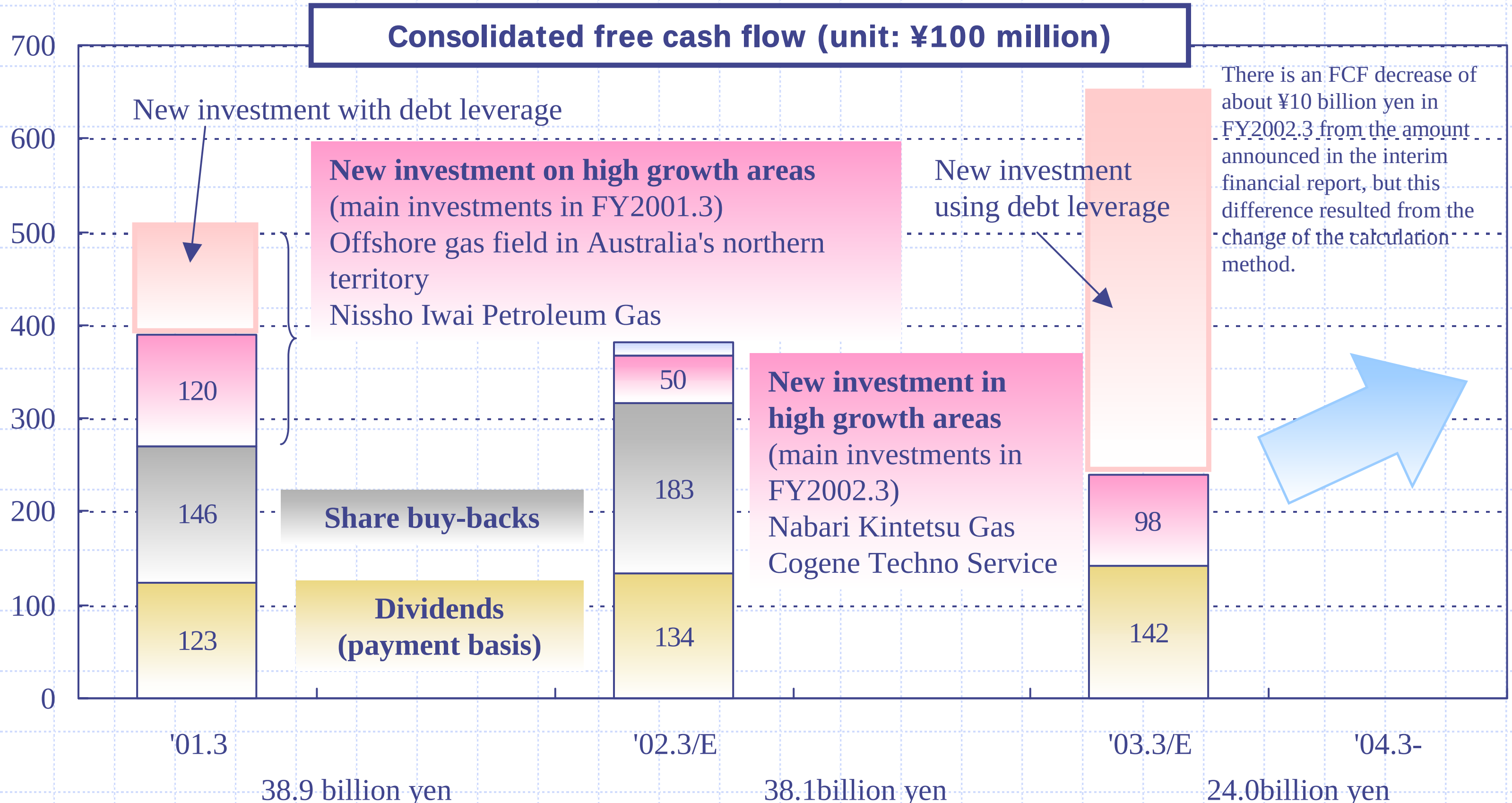
Note: Prospects for FY2002.3 are not presented in this meeting. The following data are those released in the interim financial report.

Unit: ¥100 million	Results in year from 4/2000 to 3/2001		Prospect for year from 4/2001 to 3/2002		Plan for year from 4/2002 to 3/2003	
	Consolidated basis	Non-consolidated basis	Consolidated basis	Non-consolidated basis	Consolidated basis	Non-consolidated basis
Gross sales	9,519	7,541	9,850	7,615	9,600	7,238
Operating income	741	593	820	683	745	561
Income before taxes	638	539	720	640	650	540
Net income	360	330	430	400	400	330
Gross asset	13,110	10,671	13,277	10,934	13,440	11,174
Interest-bearing debts	5,102	4,013	5,337	4,260	5,305	4,306
Shareholders' equity	4,750	4,180	4,787	4,194	4,938	4,295
Return on equity (ROE)	8.0%	8.2%	9.0%	9.5%	8.3%	7.8%
Return on asset (ROA)	2.9%	3.2%	3.3%	3.7%	3.0%	3.0%
Earnings per share (EPS: ¥/share)	14.7	13.4	17.9	16.7	16.9	13.9
Free cash flow (unit: ¥100 million)	388	403	381	364	240	215
Shareholders' equity ratio at term end	36.2%	39.2%	36.1%	38.4%	36.7%	38.4%

The denominators used for the ROE, ROA and ESP are averages calculated based on the values at the beginning and end of each term. The numerators used for the ROE and ROA are net profits after taxes. There were no latent shares to be considered for the calculation of the EPS. The free cash flow was calculated as follows: operating income after taxes + depreciation expenses (including incidental business expenses) – capital expenditures. The investment in equipment and facility used in the FCF calculation was changed from the conventional "cash basis, including long-term repayments" to "acceptance basis, excluding long-term prepayments." Due to the change in the calculation method, the FCF value for FY2002.3 is different from the value announced in the interim financial report.

FY2003.3 Consolidated Free Cash Flow

- Free cash flow is used mainly for the following three purposes: investment return to shareholders through dividends, investment on high growth areas, and fund to cover lowering tariffs. When there is no worthy investment target, we will examine the use of free cash flow for share buy-backs.
- Free cash flow is expected to decline in FY2003.3 due to the tariff revisions. Internal reserves will be combined with debt leverage for new investment on high growth areas.



FY2003.3 Gas Sales Plan

- Gas sales in FY2002.3 are expected to be lower than those in the previous year since warm weather reduced gas consumption by households and the sluggish economy resulted in lower consumption by industries. However, from FY2002.3 to FY2007.3, we anticipate an average annual growth rate of 2.2%.

Estimated gas demand for residential use

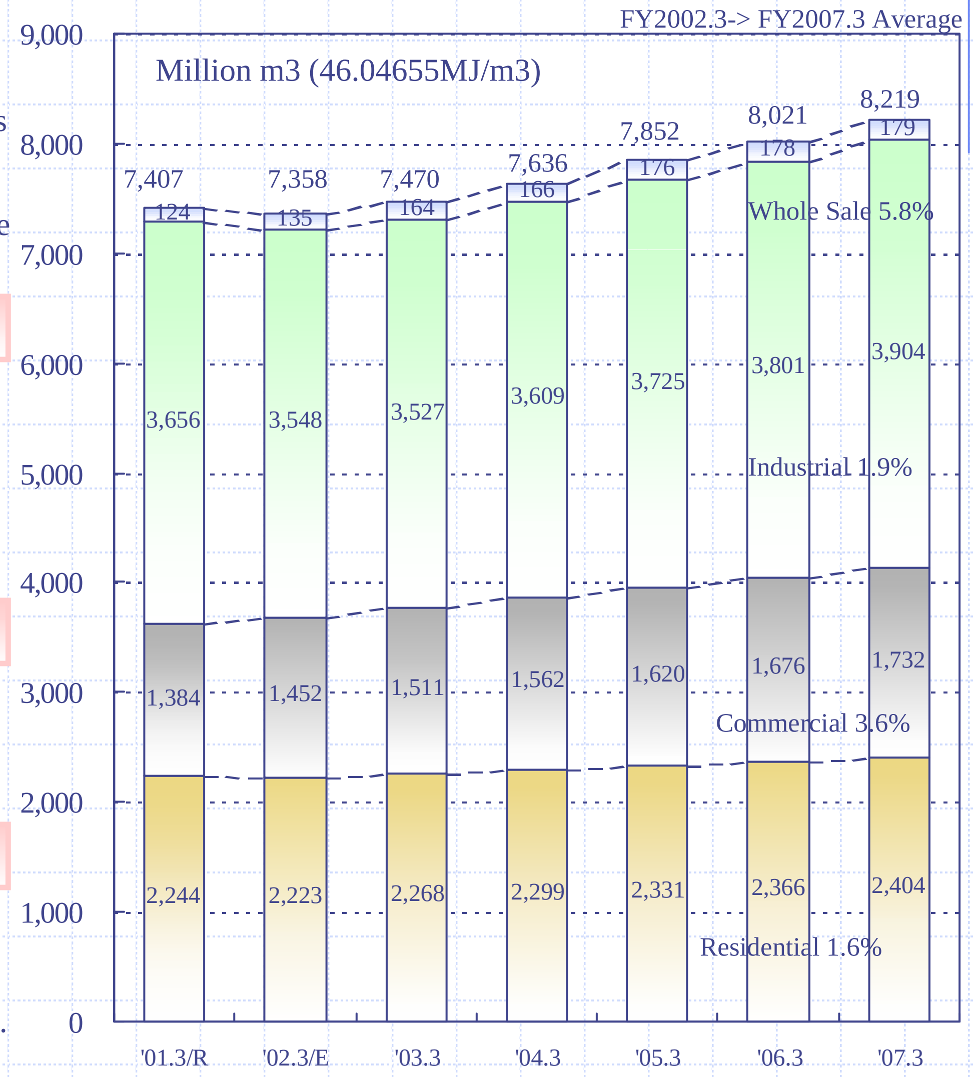
- Although the macro trend shows a decrease in per-household sales volume, this decline can be offset by promoting the sales of gas hot-water floor heating systems to existing houses. The average temperatures of the past five years were used in the demand estimation.

Estimated gas demand for commercial use

- The demand will show a steady growth mainly due to an increased air conditioning need. The average temperatures of the past five years were used in the demand estimation.

Estimated gas demand for industrial use

- The economy for years after FY2003.3 was presumed to be about the same as that in FY2002.3. A decline of demand due to still competition in the future was taken into account.



FY2003.3 Capital Expenditure Plan

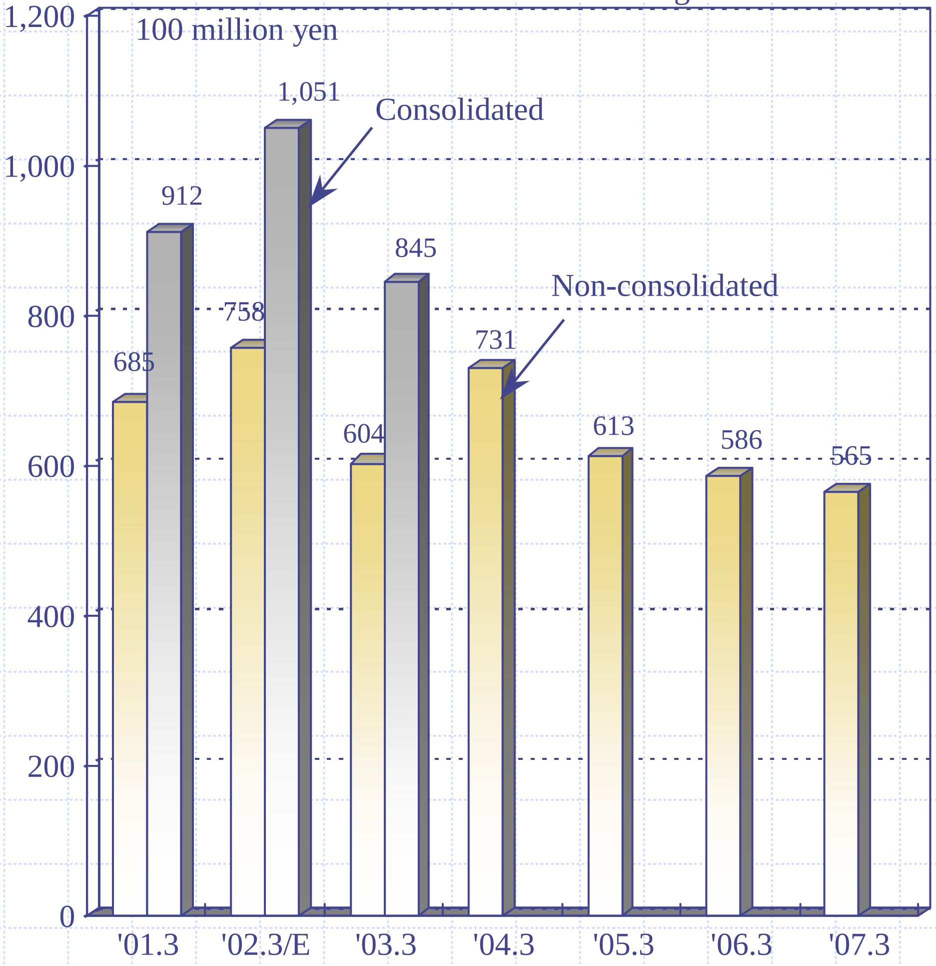
Non-consolidated basis

- The amount of investment will further decrease from the previous plan as a result of reviewing the construction periods for manufacturing facilities and trunk lines and cutting the costs of constructing medium/low pressure pipelines.
- We expect a reduction of ¥17.6 billion in a period between FY2002.3 and FY2006.3 (total: ¥329.3 billion) from the estimation in the previous plan, and a reduction of ¥15.7 billion from the management efficiency improvement target announced in February 2002.

Consolidated subsidiaries

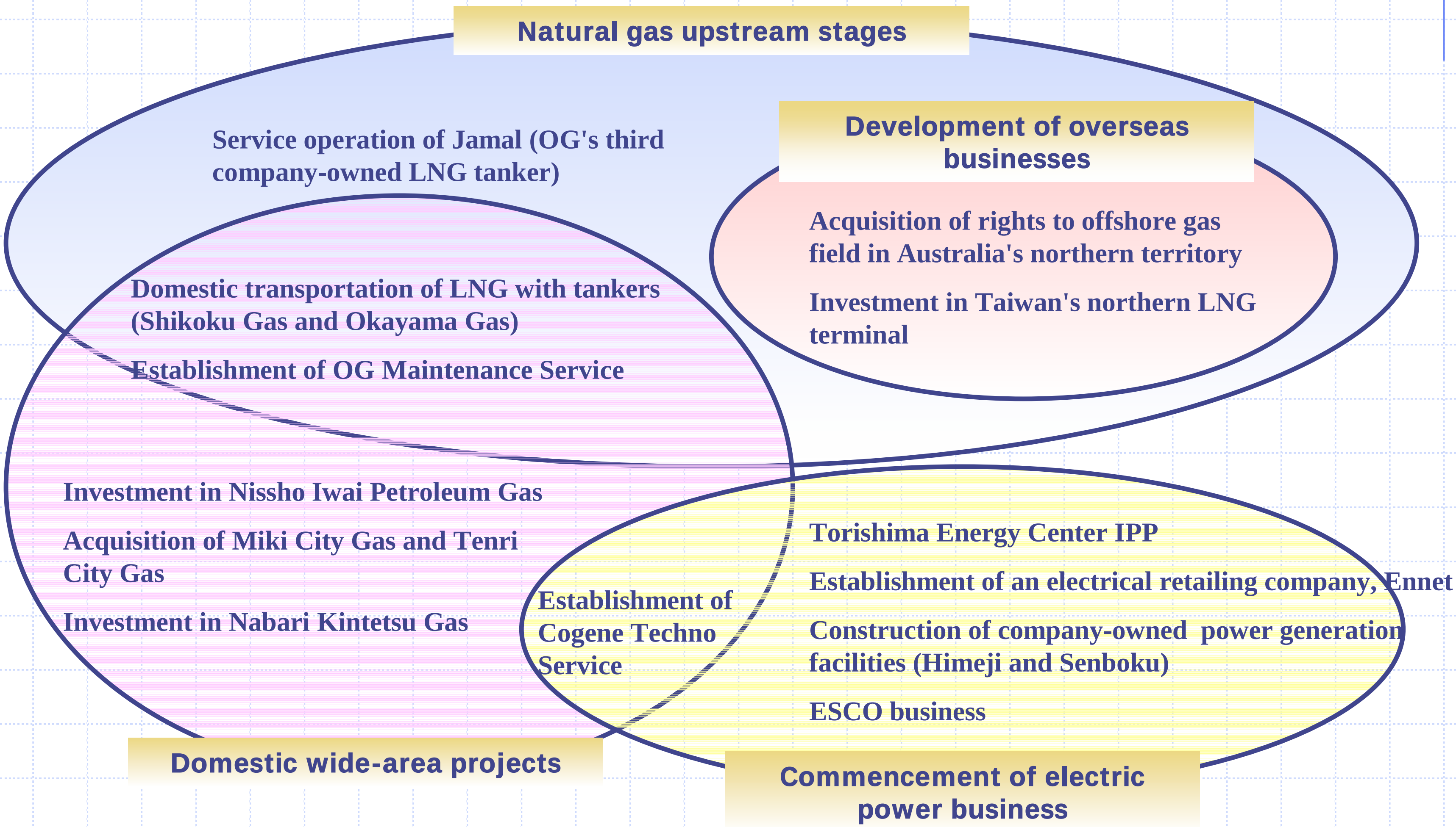
- We expect to invest about ¥3.7 billion in the electricity-related business in FY2003.3. We will also make ordinary investment in equipment and facilities for Urbanex, OG Auto Service and others.

Plans for consolidated capital expenditures for years after FY2004.3 are not announced in this meeting.



Topic I: Recent Activities for Wide-Area Development of Energy Business

These activities were planned/announced after FY2001.3, or were already carried out.



Topic II: Development of Group Management

- **Business reforms with SVA(Shareholders' Value Added) at the core**
  - Harman (G5): Harman was divided (Sept. 1, 2001) into three companies -- Harman Planning, Harman, and Harman Pro -- and some of Osaka Gas-owned shares of Harman (40%) and Harman Pro (90%) were transferred (Oct. 1, 2001) to Noritz Corporation.
  - Kinrei (G7): Kinrei announced the sales of the shares (50%) of OG Royal owned by the company to Royal Co., Ltd., a franchiser (30.5% before April 30, 2002, and remaining 19.5% before March 31, 2004).
  - OG Capital (G10): OG Capital announced the sales of the shares (100%) of Kickory to Komeri Co., Ltd. in May 2002, and withdrew from the home improvement center business.
- **New challenges in "non-energy business"**
  - Home Pro: Web-based intermediary company providing housing-related services. The company began operation in the Kansai area in February 2001. It expanded its service area to metropolitan Tokyo and the Chubu area in July 2001. The company presently has 45,000 registered members, and 200 affiliated companies.
  - i-Support: The company began to outsource services related to personnel, payrolls and fringe benefits in April 2002.
  - Ube Information Systems: OGIS-RI acquired 51% of the shares from Ube Industries, Ltd. The two companies will strengthen their cooperative relationship in their respective fields of expertise, such as object-oriented technology and EC (electronic commerce).

Follow-up will continue for three years (longer if the profit is lower than expected) after the commencement of business operation based on the investment judgment criteria introduced in FY2001.3, then the decision of withdrawal or continuation will be made as necessary.

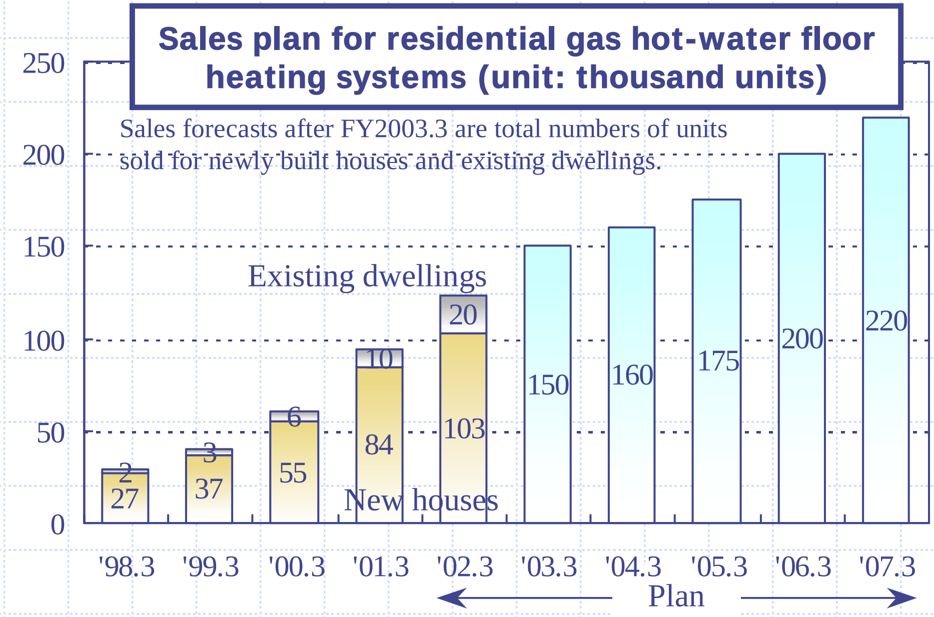
Topic III: Stimulation of Gas Demand for Residential Use

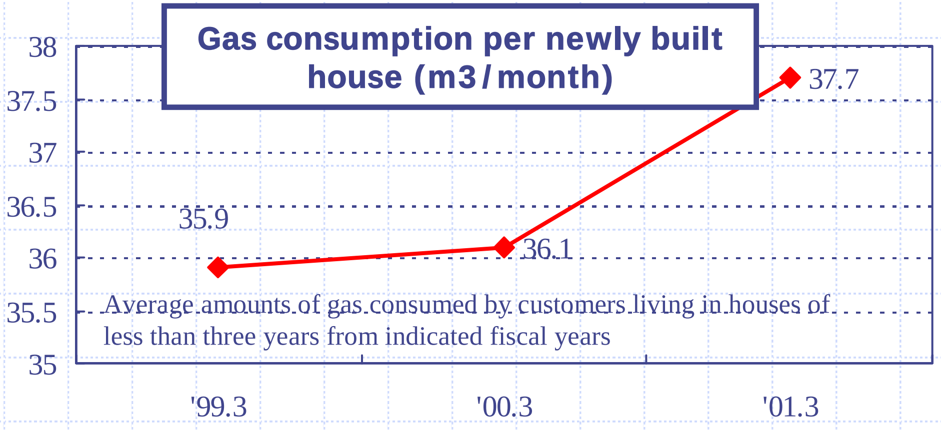
Residential gas hot-water floor heating systems

- We expect to sell 123,000 units in FY2002.3 as compared to 120,000 units estimated in our original plan.
- As gas floor heating systems are standardly installed in new condominiums built for sales, the installation rate is expected to be 51% as compared to 44% estimated in our original plan. We plan to strengthen our sales system to promote gas floor heating systems for installation in existing dwellings while maintaining a high market share for newly built houses.

Home-use gas-engine cogeneration systems

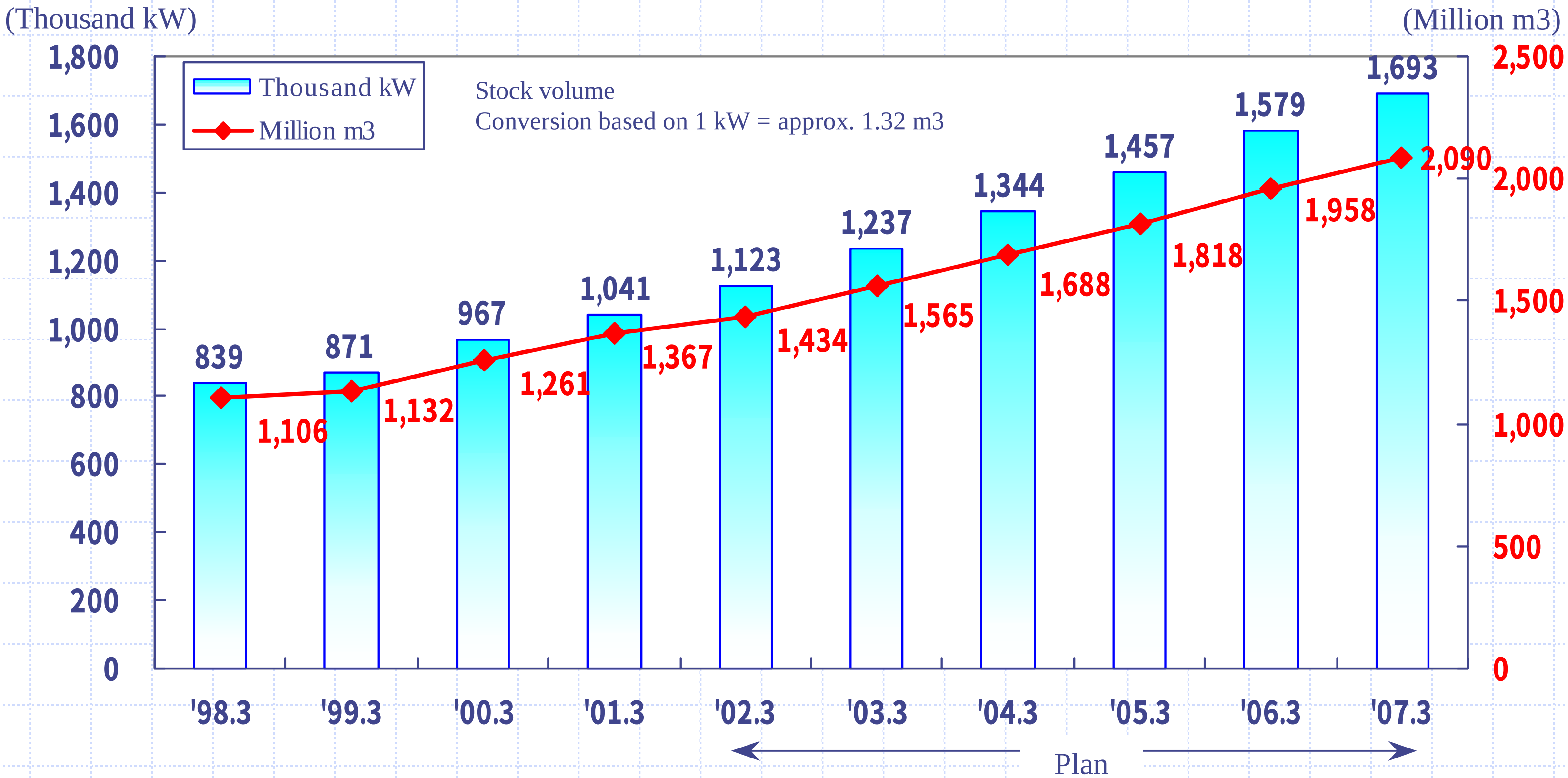
- We conducted trial installation in the spring of FY2003.3, and plan to begin sales to home owners in this fiscal year.
- Our target calls for sales of about 10,000 units by FY2006.3 (each unit increases gas sales by about 200 m3 per year).





Topic IV: Cogeneration Systems

- We continue to expand sales of cogeneration systems by focusing on small factories and commercial facilities and by exploring new applications.
- We will provide new services such as a long-term contract option (newly developed at the time of the recent tariff revision) in the area of regulation fees and a fee system based on fixed material cost for large users.



Topic V: Gas Air Conditioners (Absorption type, GHP)

- In addition to maintaining a market share by promoting the absorption-type gas air conditioners for large buildings that offer superior cost effectiveness, we plan to expand sales of GHPs for small buildings.