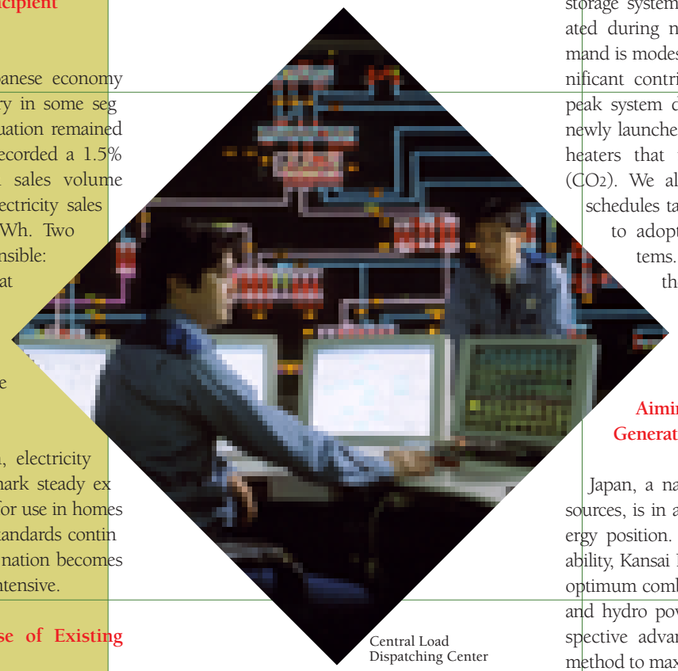
Meeting growing demand through effective use of resources, infrastructure and innovations

Sales Expansion Amid Incipient Economic Recovery

In fiscal 2003 the Japanese economy exhibited signs of recovery in some segments, but the overall situation remained quite severe. Kansai EP recorded a 1.5% year-on-year increase in sales volume nonetheless, with total electricity sales reaching 141.8 billion kWh. Two factors were largely responsible: increased demand for heating in response to an unusually cold winter, and incipient recovery in production activities in select industries.

Beyond the near term, electricity demand is expected to mark steady expansion ahead, especially for use in homes and businesses as living standards continue to improve and as the nation becomes increasingly information-intensive.



Central Load Dispatching Center

Pursuing Maximum Use of Existing Infrastructure

Electricity sales expansion puts increasing strain on the total power infrastructure. To utilize existing infrastructure to optimum effect — and thereby enhance the Company's competitive position — we are taking steps to minimize increases in peak demand on the system: in other words, to improve our load factor.

Specifically, we encourage the adoption of and vigorously market systems engineered for greater energy efficiency. Most notably these include "Eco Ice" and "Eco Cute." Eco Ice is our innovative thermal-storage system that retains power generated during nighttime hours, when demand is modest, and thereby makes a significant contribution to easing daytime peak system demand. Eco Cute are our newly launched electric heat-pump water heaters that use a natural refrigerant (CO_2). We also provide attractive rate schedules tailored to induce customers to adopt these energy-saving systems. The burgeoning success of these initiatives is reflected in the gradual improvement in our load factor in recent years.

Aiming for the Optimum Generation Mix

Japan, a nation of limited natural resources, is in a perennially precarious energy position. To cope with this vulnerability, Kansai EP continuously probes the optimum combination of nuclear, thermal and hydro power, capitalizing on the respective advantages of each generation method to maximum effect.

Nuclear power forms the core of our energy platforms, meeting a majority 57% of the Company's total output demand. Nuclear power offers salient economic advantages because we pioneered its development, and this long record today yields benefits in terms of relatively modest depreciation costs and a sustained high capacity factor. Nuclear energy is also friendly to the environment as it produces low levels of CO_2 emissions.

Thermal power, which offers superior load-following characteristics, is our second-most important source of energy. In this area, we are pursuing diversification beyond oil dependency and striving for efficient operation of facilities by retiring or suspending, at length, operation of power plants plagued by poor efficiency or low load factor.

We are also developing hydroelectric power aggressively, in view of this energy source's modest burden on the environment and the need to optimize effective use of Japan's available resources. Pumped-storage hydropower plants play a significant role in satisfying peak demand.

Periodic inspection of nuclear power plant turbines

To cope with ever-expanding electricity demand, Kansai EP explores all conceivable avenues to achieve optimal use of available resources and infrastructure.